

ASSET TRANSFER AGREEMENT

THIS AGREEMENT is dated as of the ♦ day of ♦, 2022,

BETWEEN:

CCEC CREDIT UNION,

a credit union incorporated under the laws of the Province of British Columbia having its head office at 2248 Commercial Drive, Vancouver, British Columbia V5N 4B5

(the “**Vendor**”)

AND:

COMMUNITY SAVINGS CREDIT UNION,

a credit union incorporated under the laws of the Province of British Columbia having its head office at 1600 - 13450 102nd Street, Surrey, British Columbia V3T 5X3

(the “**Purchaser**”)

WHEREAS:

- A. The Purchaser and the Vendor wish to combine the businesses of their respective credit unions pursuant to the business acquisition by asset transfer provisions of the Act (as hereinafter defined);
- B. The Vendor is a “transferring credit union” pursuant to section 16(1) of the Act and the Purchaser is an “acquiring credit union”;
- C. In accordance with the provisions of the Act, the Superintendent (as hereinafter defined) has consented to this Agreement, a copy of which consent is attached as Schedule “A”;
- D. In accordance with the provisions of the Act, this Agreement has been approved by special resolution of the members of the Vendor; and
- E. It is desirable and in the interests of each of the Vendor and the Purchaser and their respective members that the business acquisition by asset transfer of the Vendor, as a transferring credit union, by the Purchaser, as an acquiring credit union, should be effected on the terms and conditions set forth in this Agreement.

NOW THEREFORE this Agreement witnesses that in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties covenant and agree with each other as follows:

ARTICLE 1 DEFINITIONS AND INTERPRETATION

1.1 **Definitions** – In this Agreement, unless the context otherwise requires:

- (a) **“Act”** means the *Credit Union Incorporation Act*, R.S.B.C. 1996, Chapter 82, as amended from time to time;
- (b) **“Agreement”** means this Asset Transfer Agreement as the same may be amended from time to time and the expressions **“hereof”**, **“herein”**, **“hereto”**, **“hereunder”**, and **“hereby”**, and similar expressions refer to this Agreement and not to any particular provision;
- (c) **“Business Day”** means each day Monday through Friday inclusive, other than a day which is a statutory holiday in British Columbia;
- (d) **“Collective Agreement”** means the collective agreement between the Vendor and UNIFOR Local 3000 with effect from July 1, 2019 to June 30, 2022;
- (e) **“Delivery Date”** has the meaning given to that term in Article 9.1 of this Agreement;
- (f) **“Depositor”** means a person having money on deposit with the Vendor;
- (g) **“Effective Date”** means October 1, 2022, or such other date specified by the Superintendent as the effective date of the transfer of the Vendor’s Assets and set out in the certificate of business acquisition issued by the Registrar pursuant to section 16(8)(b) of the Act;
- (h) **“Effective Time”** means 12:02 a.m. (Pacific Time) on the Effective Date;
- (i) **“Equity Shares”** means the membership shares of the Purchaser established pursuant to the Rules of the Purchaser;
- (j) **“Excess Membership Shares”** has the meaning ascribed to that term in Article 3.1(b) of this Agreement;
- (k) **“Financial Statements”** has the meaning ascribed to that term in Article 4.1(c) of this Agreement;
- (l) **“IFRS”** means International Financial Reporting Standards as adopted by the Accounting Standards Board, as those standards are amended from time to time;
- (m) **“Income Tax Act”** means the *Income Tax Act*, R.S.C., 1985, c. 1 (5th Supp.);
- (n) **“Membership Equity Shares”** means the Class A (Mandatory) equity shares of the Vendor;

- (o) **"Memorandum of Understanding"** means the Memorandum of Understanding dated as of September 16, 2021, between the Vendor and the Purchaser, a copy of which is attached as Schedule "F";
- (p) **"Non-Disclosure Agreement"** means the Confidentiality and Non-Disclosure Agreement dated as of June 16, 2021, between the Vendor and Purchaser;
- (q) **"Personal Information"** has the meaning ascribed to that term in the *Personal Information Protection Act*, S.B.C. 2003, Chapter 63, as amended from time to time;
- (r) **"Redemption Value"** has the meaning ascribed to that term in Article 3.2 of this Agreement;
- (s) **"Registrar"** has the meaning ascribed to that term in the Act;
- (t) **"Rules"** means the rules of the Purchaser or the Vendor, as the case may be, as described in section 7 of the Act;
- (u) **"Shareholder"** means a person recorded in the records of the Vendor as the owner of a share or shares of the Vendor, whether or not a member of the Vendor;
- (v) **"Submission Date"** means the date the Purchaser is required hereunder to submit, or does submit, to the Superintendent three fully executed copies of this Agreement and three certified copies of the special resolution delivered to the Purchaser by the Vendor as contemplated in Article 9.1;
- (w) **"Superintendent"** has the meaning ascribed to that term in the Act;
- (x) **"Vendor Nominees"** has the meaning ascribed to that term in Article 7.9 of this Agreement;
- (y) **"Vendor's Assets"** means all of the rights, property and assets of the Vendor of whatever nature and kind, real or personal, and wherever situated, owned by the Vendor on the Effective Date immediately prior to the Effective Time, including, without limiting the generality of the foregoing, all indebtedness owed to the Vendor, all actions and causes of action, all choses in action, all agreements, records and evidences of indebtedness due to it, all securities held by it with respect to any indebtedness due to it, all cash on hand and in any bank or invested in shares of, on deposit with or held in trust by Central 1 Credit Union, all bonds, shares, stocks or other securities held by it, all lands and all furnishings, furniture and equipment owned by it, all trademarks, trade names, copyrights, goodwill and the right to represent itself as carrying on the Vendor's Business and the right to use the name "CCEC Credit Union" and any variations thereof;
- (z) **"Vendor's Business"** means the business carried on by the Vendor immediately prior to the Effective Time on the Effective Date; and

- (aa) **“Vendor’s Liabilities”** means each and every indebtedness and liability of the Vendor, present and future, direct or indirect, absolute or contingent to any and all persons, including, without limiting the generality of the foregoing, the liability of the Vendor to Depositors for monies on deposit with the Vendor and to Shareholders with respect to monies invested in shares of the Vendor.
- 1.2 **Headings** – The headings herein are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
- 1.3 **Invalidity of Any Provision** – If any covenant, obligation or provision contained in this Agreement shall be invalid or unenforceable, the remainder of this Agreement shall not be affected thereby and each covenant, obligation or provision of this Agreement shall separately be valid and enforceable to the fullest extent permitted by law.
- 1.4 **Amendments** – This Agreement may only be amended from time to time in writing under seal of each of the Vendor and the Purchaser.
- 1.5 **Number and Gender** – In this Agreement, words in the singular include the plural and *vice versa* and words in one gender include all genders.
- 1.6 **Governing Law** – This Agreement shall be governed by, and construed in accordance with, the laws of the Province of British Columbia and the laws of Canada applicable therein and each of the parties submits to the jurisdiction of the Courts of British Columbia with respect to this Agreement.
- 1.7 **Date for Action** – If any date on which any action required to be taken hereunder by either party is not a Business Day, such action shall be required to be taken on the next following Business Day.
- 1.8 **Duty to Act Reasonably** – Wherever any matter hereunder is subject to approval or consent of one party, that party shall not unreasonably withhold or delay such approval or consent.
- 1.9 **Time of the Essence** – Time shall be of the essence of this Agreement.
- 1.10 **Schedules** – The following schedules are attached hereto and form part of this Agreement:
- (a) Schedule “A” – Superintendent’s Consent;
 - (b) Schedule “B” – Vendor’s Financial Statements;
 - (c) Schedule “C” – Purchaser’s Common Bond;
 - (d) Schedule “D” – Purchaser’s Services;
 - (e) Schedule “E” – Employment Matters;
 - (f) Schedule “F” – Memorandum of Understanding.

ARTICLE 2
TRANSFER OF ASSETS AND ASSUMPTION OF LIABILITIES

- 2.1 **Transfer of the Vendor's Assets** – Upon the terms and subject to the conditions hereof, the Vendor agrees to transfer to the Purchaser, and the Purchaser agrees to acquire from the Vendor, all the Vendor's Assets as of the Effective Time.
- 2.2 **Assumption of Liabilities** – In consideration of the acquisition by the Purchaser of the Vendor's Assets, the Purchaser agrees to assume, as of the Effective Time, all the Vendor's Liabilities.
- 2.3 **Deposits** – Without limiting the generality of Article 2.2, as of the Effective Time, the Purchaser shall assume the obligations of the Vendor to each Depositor on a dollar-for-dollar basis on the amount of deposits of each Depositor with the Vendor and on the same terms and conditions with respect to each deposit as existed between the Vendor and each Depositor at the time the asset transfer contemplated hereunder takes effect.
- 2.4 **No Exclusions** – For the purposes of sections 16(2)(e) and (f) of the Act, the Vendor and the Purchaser acknowledge and agree that none of the assets of the Vendor are excluded from the Vendor's Assets and that none of the liabilities of the Vendor are excluded from the Vendor's Liabilities.
- 2.5 **Income Tax Act** – It is the intention of the Vendor and the Purchaser that the transfer and distribution of the Vendor's Assets as contemplated by the terms and conditions hereof shall take place pursuant to subsection 88(1) of the Income Tax Act.

ARTICLE 3
SHARES

- 3.1 **Share Exchange** – Effective at 12:01 a.m. (Pacific Time) on the Effective Date and prior to the Effective Time, the shares of the Vendor will be exchanged for shares of the Purchaser as follows:
- (a) subject to Articles 3.1(b) and 3.1(c) below, each Membership Equity Share of the Vendor will be exchanged for one fully paid Equity Share of the Purchaser, up to a maximum of 1,000 Equity Shares of the Purchaser per Shareholder;
 - (b) if any Shareholder of the Vendor holds more than 1,000 Membership Equity Shares of the Vendor or any Shareholder of the Vendor, who is already a member of the Purchaser, would hold more than 1,000 Equity Shares of the Purchaser after the share exchange described above in Article 3.1(a), the Membership Equity Shares of the Vendor in excess of 1,000, either alone or in combination with Equity Shares of the Purchaser held by the Shareholder prior to the share exchange contemplated above (in either case, the "**Excess Membership Shares**"), will not be exchanged for Equity Shares of the Purchaser. In such case, an amount of \$1.00 shall be made available for each of the Excess Membership Shares which is not exchanged for Equity Shares of the Purchaser by depositing such amount in the demand deposit account held with the Purchaser which is in the name of the Shareholder of the Excess Membership Shares not exchanged;

(c) for any Membership Equity Shares of the Vendor which are jointly held by two or more Shareholders, such Membership Equity Shares of the Vendor will be exchanged for an equivalent number of fully paid, jointly held Equity Shares of the Purchaser, which shall be allocated equally among the joint holders, except that:

- (i) where an equal allocation of the jointly held Membership Equity Shares among the joint holders would lead to the issuance of fractional shares, the Purchaser will round up or round down the shares exchanged at its discretion in a manner that results in an exchange of non-fractional (*i.e.*, whole) shares;
- (ii) in the case of any Membership Equity Shares of the Vendor jointly held by more than four Shareholders, such shares shall be exchanged for individually held Equity Shares of the Purchaser;

and, after the share exchange contemplated in this Article 3.1(c), each joint holder of jointly held Membership Equity Shares of the Vendor shall become a member of the Purchaser in the Shareholder's own right, provided that the Shareholder holds at least five Equity Shares of the Purchaser; and

(d) the unissued shares of the Vendor will not be exchanged for shares of the Purchaser and will be cancelled on the Effective Date.

3.2 **Fair Market Value** – As the Membership Equity Shares of the Vendor are, pursuant to the Vendor's Rules, to be purchased or redeemed at an amount equal to the sum of the par value of each Membership Equity Share (\$1.00) plus any dividends declared but unpaid thereon (the "**Redemption Value**"), a willing purchaser acting in good faith and at arm's length in the open market would only pay the Redemption Value for a Membership Equity Share. Accordingly, notwithstanding that the right of redemption as contemplated by section 24 of the Act is inapplicable to membership shares, the parties have determined for the purposes of this Agreement and sections 16(2)(d) and 24 of the Act that the fair market value of each Membership Equity Share is the Redemption Value of the share.

3.3 **Purchaser Not a Member of Vendor** – Notwithstanding the exchange of shares provided for in Article 3.1, it is understood and agreed that the Purchaser does not thereby become a member of the Vendor. However, each Shareholder of the Vendor receiving Equity Shares of the Purchaser will become a member of the Purchaser entitled to participate in and use the services of the Purchaser as set out in this Agreement.

3.4 **Income Tax Act** – It is the intention of the Vendor and the Purchaser that the exchange of shares as contemplated by the terms and conditions hereof shall take place pursuant to subsection 85.1 of the Income Tax Act.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF THE VENDOR

4.1 The Vendor represents and warrants to the Purchaser that:

- (a) **Status of the Vendor** – The Vendor is a credit union duly incorporated, validly existing and in good standing under the laws of the Province of British Columbia with respect to the filing of annual reports and has the power and capacity to own the Vendor's Assets and to carry on the Vendor's Business;
- (b) **Authority to Sell** – The execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of the Vendor and this Agreement constitutes a legal, valid and binding obligation of the Vendor enforceable against the Vendor in accordance with its terms except as may be limited by laws of general application affecting the rights of creditors;
- (c) **Financial Statements** – The audited financial statements of the Vendor for the fiscal year ending on September 30, 2021, a copy of which is attached as Schedule "B" (the "**Financial Statements**"), have been prepared in accordance with IFRS and present fairly and correctly the Vendor's Assets and the Vendor's Liabilities and the financial condition of the Vendor as of the date of the Financial Statements and of the operations of the Vendor during the period covered by such statements;
- (d) **Transaction Will Not Cause Default** – Neither the execution and delivery of this Agreement nor the completion of the transactions contemplated herein will:
 - (i) violate any of the terms and provisions of the constating documents or the Rules of the Vendor or any resolution of the directors or members of the Vendor, or any order, decree, bylaw, regulation, covenant or restriction applicable to the Vendor or any of the Vendor's Assets;
 - (ii) give any person any right of termination, cancellation or acceleration with respect to any agreement, instrument or other document to which the Vendor is a party or the Vendor or any of the Vendor's Assets is subject or from which the Vendor derives a benefit, save to the extent that the consent of third parties is required to assign any leasehold property of the Vendor or any material contracts of the Vendor;
 - (iii) result in the creation of a lien, encumbrance or other charge of any kind or nature whatsoever on any of the Vendor's Assets; or
 - (iv) result in any fees, duties, taxes, assessments or other amounts relating to any of the Vendor's Assets becoming due or payable other than only property transfer tax (if any), provincial sales tax, federal goods and services tax, and fees payable to the BC Financial Services Authority, the Superintendent or the Registrar in connection with the transactions contemplated herein;
- (e) **Assets** – The Vendor owns and possesses and has good and marketable title to the Vendor's Assets, free and clear of all mortgages, liens, charges, pledges, security interests, encumbrances or other claims whatsoever except for security

perfected by the following financing statements registered in the British Columbia Personal Property Registry:

- (i) transition financing statement registered under base registration # 4684072 in favour of Central 1 Credit Union; and
 - (ii) financing statement registered under base registration # 422667A in favour of Central 1 Credit Union, as amended by renewal # 730202G and renewal # 952381J, and any further renewals thereof;
- (f) **Books and Records** – The books and records of the Vendor fairly and correctly set out and disclose in all material respects, in accordance with IFRS, the financial position of the Vendor and all material financial transactions of the Vendor relating to the Vendor’s Business have been accurately recorded in such books and records;
- (g) **Material Change** – Since the date of the consolidated statement of financial position included in the Financial Statements there has not been:
 - (i) any material change in the financial condition of the Vendor’s Business, the Vendor’s Liabilities or the Vendor’s Assets other than changes in the ordinary course of business, none of which has been materially adverse;
 - (ii) any damage, destruction, loss or other event (whether or not covered by insurance) materially and adversely affecting the Vendor’s Assets or the Vendor’s Business;
 - (iii) any material increase in the compensation payable or to become payable by the Vendor to any of its officers, employees or agents or any bonus, payment or arrangement made to or with any of them, save and except as agreed to in writing by the Purchaser;
- (h) **Auxiliary Members** – The Vendor has no “auxiliary members” as that expression is defined in the Act and the Vendor will have no auxiliary members on the Effective Date;
- (i) **Disclosure** – The Vendor has disclosed to the Purchaser all material facts which if known by a prospective purchaser of the Vendor’s Assets might reasonably have a bearing on the prospective purchaser’s decision as to whether or not to purchase the Vendor’s Assets and assume the Vendor’s Liabilities;
- (j) **Litigation** – Except for collection litigation by the Vendor in the ordinary course of business and as otherwise disclosed in writing by the Vendor to the Purchaser, there is no litigation or administrative or governmental proceeding or inquiry pending or, to the knowledge of the Vendor, threatened against or relating to the Vendor or the Vendor’s Business or any of the Vendor’s Assets nor does the Vendor know of or have reasonable grounds for believing that there is any basis for any such action, proceeding or enquiry;

- (k) **Conformity with Laws** – All governmental licenses and permits required for the conduct in the ordinary course of the operations of the Vendor's Business and the uses to which the Vendor's Assets have been put, have been obtained and are in good standing and such conduct and uses are not in breach of any statute, bylaw, regulation, covenant, restriction, plan or permit;
 - (l) **Collective Agreement** – The Vendor is a party to the Collective Agreement and a true and complete copy of the Collective Agreement has been provided to the Purchaser;
 - (m) **Terms of Employment** – Except as otherwise disclosed in writing to the Purchaser, there is no employee who has an individual contract of employment with the Vendor;
 - (n) **Shares** –
 - (i) There are no issued and outstanding equity shares of the Vendor other than the Membership Equity Shares of the Vendor, which have been issued to each member of the Vendor at an issue price of \$1.00 each; and
 - (ii) there are no issued and outstanding non-equity shares of the Vendor;
 - (o) **Dividends** - Except as disclosed in writing by the Vendor to the Purchaser on or before the date of this Agreement, there are no declared and unpaid dividends on any of the Vendor's shares and there are no unpaid bonuses, interest refunds or patronage refunds owing to the Vendor's Shareholders.
- 4.2 **Reliance on Representations and Warranties** – The Vendor acknowledges that the Purchaser intends to and shall rely on the foregoing representations and warranties in entering into this Agreement and in concluding the transactions contemplated hereby.

ARTICLE 5

COVENANTS OF THE VENDOR

- 5.1 **Conduct of the Vendor's Business** – Between the date of this Agreement and the Effective Date, except as agreed to in writing by the Purchaser, the Vendor will conduct its business diligently and only in the ordinary course and will use its best efforts to preserve the Vendor's Assets intact, to keep available to the Purchaser the Vendor's present employees and to preserve for the Purchaser the Vendor's relationship with its members and others having business relations with it.
- 5.2 **Access by the Purchaser** – The Vendor will give to the Purchaser and the Purchaser's solicitors, accountants and other representatives full access, during normal business hours throughout the period between the date of this Agreement and the Effective Time to all of the properties, books, contracts, commitments and records of the Vendor relating to the Vendor's Business, the Vendor's Assets and the Vendor's Liabilities and will furnish to the Purchaser during such period all such information as the Purchaser may reasonably request.

- 5.3 **Disclosure** – If, on or before the Effective Date, any new or conflicting material information about the Vendor or the Vendor’s Business from that previously disclosed to the Purchaser comes to the attention of the Vendor, the Vendor shall provide such new or conflicting material information to the Purchaser as soon as reasonably possible thereafter.
- 5.4 **Insurance** – From the date of this Agreement until the Effective Date, the Vendor will maintain in full force and effect the policies of insurance presently in force and if requested by the Purchaser will cause the Purchaser to be added as a named insured under all such policies and to remain as a named insured until the Effective Date.
- 5.5 **Procure Consents** – The Vendor shall diligently take all reasonable steps necessary to obtain all consents required to vest in the Purchaser all of the Vendor’s Assets.
- 5.6 **Leases** – The Vendor will cause its leases of any real or personal property to be assigned to the Purchaser or its successor, each with the prior consent of the lessor confirmed in writing if required by the terms of the lease.
- 5.7 **Contact Information** – The Vendor will cause its telephone numbers, internet access and other communication channels to be assigned to the Purchaser or its successor, each with the prior consent of the service provider where required.
- 5.8 **Employees** – The Vendor agrees with the Purchaser on various employment matters as set out in Schedule “E” hereto.
- 5.9 **Material Contracts, Dividends and Other Payments** – Between the date of this Agreement and the Effective Date, the Vendor shall not, without the prior written consent of the Purchaser, which consent will not be unreasonably withheld:
- (a) enter any material contracts, agreements or obligations that are out of the ordinary course of business and would be binding upon the Purchaser following the Effective Date, including, but not limited to, any employment agreements with management of the Vendor; or
 - (b) incur an unbudgeted expense in excess of \$50,000 or initiate a distribution of current earnings or capital in excess of \$50,000 (in aggregate), except for expenses in relation to employee variable pay, patronage allocations, dividends, or hedging or securitization arrangements, if incurred, distributed or paid in accordance with established policies and procedures for the Vendor in a manner consistent with prior years.
- 5.10 **Memorandum of Understanding** – The Vendor hereby agrees with the Purchaser that any matters set out in the Memorandum of Understanding which have not otherwise been specifically addressed in this Agreement will be dealt with as provided in the Memorandum of Understanding. In the event of a conflict between the Memorandum of Understanding and this Agreement, the terms of this Agreement will govern.

ARTICLE 6
REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

6.1 The Purchaser represents and warrants to the Vendor that:

- (a) **Status of the Purchaser** – The Purchaser is a credit union duly incorporated, validly existing and in good standing under the laws of the Province of British Columbia with respect to the filing of annual reports and has the power and capacity to purchase the Vendor's Assets;
- (b) **Authority to Purchase** – The execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate actions of the Purchaser and this Agreement constitutes a legal, valid and binding obligation of the Purchaser enforceable against the Purchaser in accordance with its terms except as may be limited by laws of general application affecting the rights of creditors;
- (c) **Transaction Will Not Cause Default** – Neither the execution and delivery of this Agreement nor the completion of the transactions contemplated herein will violate any of the terms and provisions of the constating documents or the Rules of the Purchaser or any resolution of the directors or members of the Purchaser, or any order, decree, bylaw, regulation, covenant or restriction applicable to the Purchaser or any of the Purchaser's assets;
- (d) **Common Bond** – The common bond of membership of the Purchaser on and after the Effective Date, until amended in accordance with the Act, shall be the present common bond of the Purchaser as is set forth in Schedule "C" hereto;
- (e) **Head Office** – The location of the head office of the Purchaser immediately after the Effective Date shall be the current head office of the Purchaser in Surrey, British Columbia;
- (f) **Disclosure** – The Purchaser has disclosed to the Vendor all material facts which if known by a prospective vendor of the Vendor's Assets might reasonably have a bearing on the prospective vendor's decision as to whether or not to sell the Vendor's Assets and have the Purchaser assume the Vendor's Liabilities;
- (g) **Litigation** – Except for collection litigation by the Purchaser in the ordinary course of business and as otherwise disclosed in writing by the Purchaser to the Vendor, there is no litigation or administrative or governmental proceeding or inquiry pending or, to the knowledge of the Purchaser, threatened against or relating to the Purchaser or the Purchaser's business or any of the Purchaser's assets nor does the Purchaser know of or have reasonable grounds for believing that there is any basis for any such action, proceeding or enquiry;
- (h) **Conformity with Laws** – All governmental licenses and permits required for the conduct in the ordinary course of the operations of the Purchaser's business and the uses to which the Purchaser's assets may be put, have been obtained and are

in good standing and such conduct and uses are not in breach of any statute, bylaw, regulation, covenant, restriction, plan or permit;

- (i) **Dividends** – Except as disclosed in writing by the Purchaser to the Vendor on or before the date of this Agreement, there are no declared and unpaid dividends on any of the Purchaser's shares and there are no unpaid bonuses, interest refunds or patronage refunds owing to the Purchaser's shareholders.

- 6.2 **Reliance on Representations and Warranties** – The Purchaser acknowledges that the Vendor intends to and shall rely on the foregoing representations and warranties in entering into this Agreement and in concluding the transactions contemplated hereby.

ARTICLE 7 COVENANTS OF THE PURCHASER

- 7.1 **Conduct of the Purchaser's Business** – Between the date of this Agreement and the Effective Date, the Purchaser will conduct its business diligently and only in the ordinary course.
- 7.2 **Disclosure** – If, on or before the Effective Date, any new or conflicting material information about the Purchaser or its business from that previously disclosed to the Vendor comes to the attention of the Purchaser, the Purchaser shall provide such new or conflicting material information to the Vendor as soon as reasonably possible thereafter.
- 7.3 **Financial Statements** – The Purchaser will provide to members of the Vendor a copy of the audited consolidated financial statements of the Purchaser for the fiscal year ending on September 30, 2021, upon request of the member.
- 7.4 **Services** – The Purchaser covenants and agrees with the Vendor that the services the Purchaser offers to its members and proposes to extend to members of the Vendor are the comprehensive range of services set forth in Schedule "D" hereto.
- 7.5 **Employees** – The Purchaser agrees with the Vendor on various employment matters as set out in Schedule "E" hereto.
- 7.6 **Name** – The name of the Purchaser on and after the Effective Date, until amended in accordance with the Act, shall be "Community Savings Credit Union" and the Purchaser shall operate under this name subject to Article 7.8 of this Agreement and the Act.
- 7.7 **Branch** – Subject to factors outside of its control, the Purchaser will continue operating the existing branch of the Vendor at 2248 Commercial Drive, Vancouver, British Columbia, at least for the duration of the current term of the lease for such branch (*i.e.*, to June 30, 2025). The branch will be integrated into the Purchaser's branch network and it is intended to be an integral part of the business development strategy for Purchaser after the merger. It is not presently intended that there shall be any reduction of hours for the existing 2248 Commercial Drive branch; provided, however, that the Purchaser may vary the current hours of business after the Effective Date to better suit the members of the branch and the communities that it serves.

- 7.8 **Name of Branch of the Vendor** – On and after the Effective Date and subject to the Act, the Purchaser intends to operate the branch of the Vendor, as relocated from time to time, as “the CCEC Branch of Community Savings Credit Union” or some variation thereof, provided, however, that the Purchaser may amend the branch name to better suit the members of the branch and the communities that it serves.
- 7.9 **Directors** –
- (a) At the Effective Date, the directors of the Purchaser immediately prior to the Effective Date shall continue to be directors of the Purchaser.
 - (b) Additionally, as of the Effective Date, the directors of the Purchaser shall, by resolution, appoint as additional directors of the Purchaser two nominees from a list of potential nominees furnished by the directors of the Vendor, whose terms shall be assigned to a three and six-year term, respectively, by the Purchaser (the “**Vendor Nominees**”). The Vendor Nominees shall be individuals who are directors of the Vendor on the Effective Date, immediately prior to the completion of the transactions contemplated hereunder. With the addition of the two Vendor Nominees, the number of directors of the Purchaser, together with the eleven existing directors of the Purchaser, shall be 13.
 - (c) Upon expiration or earlier termination of the term of any of the Vendor Nominees for any reason whatsoever, no person will be elected or appointed to fill the vacancy and the number of directors on the Board of Directors of the Purchaser shall be reduced accordingly.
- 7.10 **Chief Executive Officer** – At the Effective Date, the Chief Executive Officer of the Purchaser shall be the person who is the Chief Executive Officer of the Purchaser immediately prior to the Effective Date.
- 7.11 **Interim General Manager** – As of the Effective Date and subject to completion of the transactions contemplated herein, the Purchaser shall make an offer of employment to the person who was the Interim General Manager of the Vendor as of the date of the Memorandum of Understanding. Such person will initially support the Chief Executive Officer of the Purchaser in merger execution and then act as part of the leadership team of the Purchaser.
- 7.12 **Community Investment** – The Purchaser acknowledges that the Vendor has a history of providing financial support in the form of donations, sponsorships and bursaries to community organizations. For a period of at least five years following the Effective Date, the Purchaser shall provide a minimum of \$1,000 in funding per year to support community organizations which were either supported by the Vendor prior to the Effective Date or are similar to the ones supported by the Vendor prior to the Effective Date. The Purchaser will assess the impact and benefit of these initiatives at the end of the five year period and may continue supporting such organizations where it is determined that value exists.

7.13 **Personal Information** – The Purchaser shall:

- (a) only use or disclose Personal Information disclosed to the Purchaser by the Vendor for the same purposes for which it was collected, used or disclosed by the Vendor; and
- (b) notify the employees, customers, directors, officers and members whose Personal Information the Vendor has disclosed to the Purchaser without consent that the transactions contemplated by this Agreement have taken place and that Personal Information about them has been disclosed to the Purchaser.

7.14 **Memorandum of Understanding** – The Purchaser hereby agrees with the Vendor that any matters set out in the Memorandum of Understanding which have not otherwise been specifically addressed in this Agreement will be dealt with as provided in the Memorandum of Understanding. In the event of a conflict between the Memorandum of Understanding and this Agreement, the terms of this Agreement will govern.

ARTICLE 8
CONDITIONS PRECEDENT

8.1 **Purchaser's Conditions Precedent** – This Agreement and the obligations of the Purchaser under this Agreement are subject to the fulfilment of the following conditions:

- (a) the Vendor's representations and warranties contained in this Agreement are true as of the Delivery Date and shall be true at and as of the Submission Date as though such representations and warranties were made as of such time;
- (b) the Vendor shall have performed and complied with all covenants, agreements and conditions required by this Agreement to be performed or complied with by it at or prior to the Submission Date;
- (c) between the date of this Agreement and the Delivery Date there has not been, and prior to the Submission Date there shall not have been, any event, condition, change of circumstances or other fact in relation to the Vendor which has occurred that has had a material adverse impact on the Vendor or will have a material adverse impact on the business of the Purchaser upon completion of the transactions contemplated herein; and
- (d) the Purchaser shall have received from the Vendor a certified copy of resolutions of the directors of the Vendor containing a list of directors of the Vendor willing to act as a Vendor Nominee.

8.2 **Waiver** – The conditions described in Article 8.1 are for the exclusive benefit of the Purchaser and any such condition may be waived in whole or in part by the Purchaser.

8.3 **Notice to Vendor** – If, by the Submission Date, the Purchaser is of the opinion that any of the conditions set forth in Article 8.1 have not been fulfilled and the Purchaser is unwilling to waive the conditions, the Purchaser shall deliver to the Vendor a notice:

- (a) specifying in what respect the conditions have not been fulfilled; and
- (b) advising the Vendor that the Purchaser will not be submitting a copy of this Agreement to the Superintendent in accordance with Article 9.2 hereof.

In such event, the Purchaser shall not be required to proceed with the transactions contemplated hereunder and this Agreement shall be of no further force and effect whatsoever.

8.4 **Deemed Fulfilment of Purchaser's Conditions** – Upon the Purchaser submitting a copy of this Agreement to the Superintendent pursuant to Article 9.2 hereof, the conditions set forth in Article 8.1 will be deemed to have been fulfilled.

8.5 **Vendor's Conditions Precedent** – This Agreement and the obligations of the Vendor under this Agreement are subject to the fulfilment of the following conditions:

- (a) the Purchaser's representations and warranties contained in this Agreement are true as of the Delivery Date and shall be true at and as of the Submission Date as though such representations and warranties were made as of such time;
- (b) the Purchaser shall have performed and complied with all covenants, agreements and conditions required by this Agreement to be performed or complied with by it at or prior to the Submission Date;
- (c) between the date of this Agreement and the Delivery Date there has not been, and prior to the Submission Date there shall not have been, any event, condition, change of circumstances or other fact in relation to the Purchaser which has occurred that has had a material adverse impact on the Purchaser; and
- (d) the Vendor shall have received from the Purchaser a certified copy of resolutions of the directors of the Purchaser appointing two Vendor Nominees as additional directors of the Purchaser as of the Effective Date and assigning one of the Vendor Nominees to a three-year term and one of the Vendor Nominees to a six-year term, with such Vendor Nominees having been chosen from the list of directors of the Vendor as contemplated in Article 8.1(d).

8.6 **Waiver** – The conditions described in Article 8.5 are for the exclusive benefit of the Vendor and any such condition may be waived in whole or in part by the Vendor.

8.7 **Notice to Purchaser** – If, prior to the Purchaser's submission of a copy of this Agreement to the Superintendent in accordance with Article 9.2, the Vendor is of the opinion that any of the conditions set forth in Article 8.5 have not been fulfilled and the Vendor is unwilling to waive the conditions, the Vendor shall deliver to the Purchaser a notice:

- (a) specifying in what respect the conditions have not been fulfilled; and
- (b) requesting that the Purchaser not submit a copy of this Agreement to the Superintendent pursuant to Article 9.2.

In such event, the Vendor shall not be required to proceed with the transactions contemplated hereunder and this Agreement shall be of no further force and effect whatsoever.

- 8.8 **Deemed Fulfilment of Vendor's Conditions** – Upon the Purchaser submitting a copy of this Agreement to the Superintendent pursuant to Article 9.2 hereof (but at all times subject to Article 9.3(b) hereof), the conditions set forth in Article 8.5 will be deemed to have been fulfilled.
- 8.9 **Fulfilment of Conditions** – If the conditions set out in Article 8.1 and 8.5 are fulfilled or waived by the Submission Date, then, upon the issue by the Registrar of the certificate of business acquisition pursuant to section 16(8)(b) of the Act:
- (a) this Agreement shall constitute the absolute sale, transfer and assignment of all of the Vendor's Assets to the Purchaser pursuant to section 18 of the Act, upon the terms and conditions herein set forth;
 - (b) this Agreement shall be binding upon the Vendor and the Purchaser and each of the members and shareholders of the Vendor and the Purchaser; and
 - (c) without any further act or deed, as of the Effective Date:
 - (i) the Vendor shall cease to carry on business;
 - (ii) all the Vendor's Assets shall be transferred to and vested in the Purchaser;
 - (iii) all of the Vendor's Liabilities:
 - A. shall be transferred to and assumed by the Purchaser;
 - B. shall become the obligations and liabilities of the Purchaser; and
 - C. shall become enforceable against the Purchaser as if the Purchaser had incurred them; and
 - (iv) each member of the Vendor will become a member of the Purchaser and will remain a member of the Purchaser until the membership ceases in accordance with the provisions of the Act or the Rules of the Purchaser.

ARTICLE 9 PROCEDURES

- 9.1 **Delivery by the Vendor to the Purchaser** – As soon as feasible following the date the special resolution of the Vendor's members has been passed in accordance with section 16(4) of the Act or on such later date as the Vendor and the Purchaser may agree in writing (the "**Delivery Date**"), the Vendor shall deliver to the Purchaser:
- (a) three executed copies of this Agreement; and

- (b) three certified copies of a special resolution of its members passed in accordance with section 16(4)(a) of the Act.

9.2 **Submission by the Purchaser to the Superintendent** – As soon as feasible after receipt from the Vendor of the documents referred to in Article 9.1 and not later than three Business Days following the Delivery Date, the Purchaser shall submit to the Superintendent three fully executed copies of this Agreement together with those certified copies of the special resolution delivered to it by the Vendor.

9.3 **Prohibition –**

- (a) The Vendor shall not deliver or submit to the Superintendent any of the documentation described in Article 9.2 of this Agreement, it being the intention of the parties that the Purchaser shall co-ordinate the submission of such documentation to the Superintendent.
- (b) The Purchaser shall not deliver or submit to the Superintendent any of the documentation described in Article 9.2 of this Agreement if, prior to such submission, the Purchaser has received a notice from the Vendor pursuant to Article 8.7 hereof.

9.4 **Additional Documents to be Delivered by the Vendor** – Prior to the Effective Date, the Vendor shall deliver or cause to be delivered to the Purchaser's solicitors (unless otherwise directed by the Purchaser), in trust, the following, to be released from trust to the Purchaser only upon issuance of a certificate of business acquisition pursuant to section 16(8)(b) of the Act:

- (a) all deeds of conveyance, bills of sale, transfers and assignments executed by the Vendor, in form and content satisfactory to the Purchaser's solicitors, appropriate to effectively vest good and marketable title to the Vendor's Assets in the Purchaser to the extent contemplated by this Agreement, and immediately registerable in all places where registration of such instruments is required; and
- (b) all consents or approvals required to be obtained by the Vendor.

ARTICLE 10 NOTICES

10.1 **Notices** – All notices which may or are required to be given herein or pursuant to this Agreement shall be in writing and shall be given personally by serving the same upon any officer of the party to be served or by mail by posting the same by prepaid registered mail addressed:

- (a) to the Vendor at:

CCEC Credit Union
2248 Commercial Drive
Vancouver, BC V5N 4B5

Attention: Interim General Manager

(b) to the Purchaser at:

Community Savings Credit Union
1600 - 13450 102nd Street
Surrey, BC V3T 5X3

Attention: Chief Executive Officer

or such other addresses as the parties may advise by notice in writing and any such notice shall be deemed to have been received and effectively served, if mailed, the second Business Day following posting and if served personally, on the day of delivery.

- 10.2 **Delays** – In the event that, at the time a notice is mailed as provided in Article 10.1 or at any time during the period of two Business Days following such mailing, postal or airline or airport employees are engaged in a strike, work slowdown or other work stoppage at the place at which the notice is mailed or at the place to which the notice is mailed or at any point through which such notice must pass, such notice shall be deemed to have been given and received at the time when such notice would be received in the ordinary course of mailings, allowing for such strikes, work slowdown or other work stoppage.

ARTICLE 11 GENERAL

- 11.1 **Further Assurances** – The parties hereto shall execute such further and other documents and do such further and other things as may be necessary to carry out and give effect to the intent of this Agreement.
- 11.2 **Entire Agreement** – This Agreement, together with the Non-Disclosure Agreement and the schedules attached hereto, constitutes the entire agreement between the parties in respect of its subject matter and there are no representations or warranties, express or implied, statutory or otherwise and no agreements collateral hereto other than as expressly set forth or referred to herein.
- 11.3 **Assignment** – Neither the Purchaser nor the Vendor may assign its rights or obligations under this Agreement.
- 11.4 **Survival** – The parties hereto agree that all covenants and agreements under this Agreement which are to be performed after the Effective Date shall survive the consummation of the transactions contemplated herein and shall be binding upon the Purchaser thereafter.
- 11.5 **Binding Effect** – This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors.
- 11.6 **Counterparts** – This Agreement may be executed by the parties in counterparts, each of which when so executed by one or more of the parties to this Agreement shall be deemed

to be an original, and such counterparts taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF each of the Vendor and the Purchaser has executed this Agreement under seal as of the day and year first above written.

THE CORPORATE SEAL OF CCEC CREDIT UNION)	
was hereunto affixed in the presence of:)	
)	
)	
_____)	
Authorized Signatory)	C/S
)	
_____)	
Authorized Signatory)	

THE CORPORATE SEAL OF COMMUNITY)	
SAVINGS CREDIT UNION was hereunto affixed in)	
the presence of:)	
)	
)	
_____)	
Authorized Signatory)	C/S
)	
_____)	
Authorized Signatory)	

SCHEDULE "A"

SUPERINTENDENT'S CONSENT

See attached.

Mr. Mike Schilling
Chief Executive Officer
Community Savings Credit Union

File No.: 71500-10-X020459
71500-10-X020566
Ref. No.: SR009825

Ms. Tu Anh (Jo) Ha
Interim General Manager
CCEC Credit Union

July 12, 2022

VIA EMAIL mschilling@comsavings.com; jha@ccec.bc.ca

Dear Mr. Schilling and Ms. Ha:

Re: Asset Transfer Agreement – Community Savings Credit Union and CCEC Credit Union

The Superintendent of Financial Institutions provided consent to the proposed Asset Transfer Agreement (“ATA”) between Community Savings Credit Union and CCEC Credit Union (“CCEC”) pursuant to section 16(3) of the *Credit Union Incorporation Act* on July 12, 2022. If the ATA is approved by the membership of CCEC, the effective date of the ATA is stipulated to be October 1, 2022.

If you have any questions, please feel free to contact me by phone at 604 398-5126 or by email at Erin.Morrison@BCFSA.ca.

Regards,



Erin Morrison
Manager, Approvals

pc: Phillip Legg
Chair, Community Savings Credit Union

Donalda Greenwell-Baker
Co-Chair, CCEC Credit Union

Marty Frost
Co-Chair, CCEC Credit Union

SCHEDULE "B"

VENDOR'S FINANCIAL STATEMENTS

See attached.

CCEC Credit Union
Financial Statements
September 30, 2021

CCEC Credit Union

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For the year ended September 30, 2021

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Management's Responsibility

To the Members of CCEC Credit Union:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed entirely of Directors who are neither management nor employees of the Credit Union. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.



Interim General Manager

Independent Auditor's Report

To the Members of CCEC Credit Union:

Opinion

We have audited the financial statements of CCEC Credit Union (the "Credit Union"), which comprise the statement of financial position as at September 30, 2021, and the statements of comprehensive income, changes in members' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at September 30, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditor's Responsibilities for the Audit of the Financial Statements *(Continued from previous page)*

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Abbotsford, British Columbia

November 18, 2021

MNP LLP
Chartered Professional Accountants

CCEC Credit Union
Statement of Financial Position
As at September 30, 2021

	2021	2020
Assets		
Cash resources (Note 5)	9,948,985	16,408,350
Investments (Note 6)	23,438,331	4,164,145
Members loans (Note 7)	20,372,430	25,537,669
Income taxes recoverable	80,882	57,949
Other assets	57,687	38,856
Equipment and leaseholds (Note 8)	768,580	61,774
Intangible assets (Note 9)	274,140	175,334
	54,941,035	46,444,077
Liabilities		
Member deposits (Note 10)	50,541,829	43,111,133
Member shares (Note 11)	169,870	187,262
Accounts payable and accrued liabilities	137,361	48,083
Lease liability (Note 12)	732,469	-
Deferred tax liabilities (Note 13)	12,300	9,800
	51,593,829	43,356,278
Commitments (Note 19)		
Event after the reporting period (Note 20)		
Members' equity		
Retained earnings	3,347,206	3,087,799
	54,941,035	46,444,077

Approved on behalf of the Board

Martin Frost
Director

Helasia Luke
Director

CCEC Credit Union
Statement of Comprehensive Income
For the year ended September 30, 2021

	2021	2020
Financial income		
Member loans	888,936	1,114,980
Investment income	217,603	330,929
	1,106,539	1,445,909
Financial expenses		
Member deposits	173,628	234,660
Financial margin	932,911	1,211,249
Other income (Note 14)	381,208	816,435
	1,314,119	2,027,684
Operating expenses (Note 15)	961,329	1,180,038
Operating income	352,790	847,646
Provision for loan impairment (Note 19)	60,000	60,000
Income before income taxes	292,790	787,646
Provision for income taxes (Note 13)		
Current	30,883	111,185
Deferred	2,500	(7,200)
	33,383	103,985
Comprehensive income	259,407	683,661

CCEC Credit Union
Statement of Changes in Members' Equity
For the year ended September 30, 2021

	<i>Retained earnings</i>
Balance September 30, 2019	2,404,138
Comprehensive income	683,661
Balance September 30, 2020	3,087,799
Comprehensive income	259,407
Balance September 30, 2021	3,347,206

CCEC Credit Union
Statement of Cash Flows
For the year ended September 30, 2021

	2021	2020
Cash provided by (used for) the following activities		
Operating activities		
Comprehensive income	259,407	683,661
Depreciation of equipment and leaseholds	12,210	25,282
Depreciation of intangible assets	47,909	35,270
Depreciation of right-of-use building	191,737	-
Interest expense on lease liability	9,108	-
Deferred income taxes	2,500	(7,200)
Provision for impaired loans	60,000	60,000
Changes in working capital accounts		
Other assets	(18,831)	979
Income taxes recoverable	(22,933)	(227,195)
Accounts payable and accrued liabilities	89,277	(140,860)
Accrued interest on member loans	11,869	2,362
Accrued interest on member deposits	(37,352)	(9,502)
	604,901	422,797
Financing activities		
Net change in member deposits	7,468,047	(10,201,310)
Net change in member shares	(17,392)	(36,539)
Repayments of lease liability	(187,390)	-
	7,263,265	(10,237,849)
Investing activities		
Net change in member loans	5,093,370	4,438,374
Net change in investments	(19,274,186)	13,078,965
Purchases of equipment and leaseholds	-	(47,694)
Purchases of intangible assets	(146,715)	-
	(14,327,531)	17,469,645
Increase (decrease) in cash resources	(6,459,365)	7,654,593
Cash resources, beginning of year	16,408,350	8,753,757
Cash resources, end of year	9,948,985	16,408,350

1. Reporting entity

CCEC Credit Union (the "Credit Union") was formed pursuant to the Credit Union Incorporations Act of British Columbia and the operation of the Credit Union is subject to the Financial Institutions Act of British Columbia ("the Act").

The Credit Union serves members in the lower mainland area of British Columbia. The address of the Credit Union's registered office is 2248 Commercial Drive, Vancouver, British Columbia.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB").

These financial statements for the year ended September 30, 2021 were approved by the Board of Directors on November 18, 2021.

Impact of COVID-19

In March 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation and quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Credit Union as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

2. Change in accounting policies

Standards and Interpretations effective in the current period

The Credit Union adopted amendments to the following standards, effective October 1, 2020. Adoption of these amendments had no effect on the Credit Union's financial statements.

- IFRS 9 *Financial instruments*
- IAS 1 *Presentation of financial statements*
- IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

3. Basis of preparation

Basis of measurement

The financial statements have been prepared using the historical basis except for the revaluation of certain financial instruments.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Credit Union's functional currency.

Significant accounting judgments, estimates and assumptions

The preparation of the Credit Union's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. These estimates and assumptions have been made using careful judgment; however, uncertainties could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are prepared based on management's best knowledge of current events and actions that the Credit Union may undertake in the future. These estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized prospectively in comprehensive income in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. Basis of preparation *(Continued from previous page)*

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below.

Key assumptions in determining the allowance for expected credit losses

At each reporting period, financial assets are assessed to determine whether their credit risk has increased significantly since initial recognition. In determining whether credit risk has significantly increased, management develops a number of assumptions about the following factors which impact the borrowers' ability to meet debt obligations:

- Expected significant increase in unemployment rates, interest rates
- Expected or actual changes in internal credit ratings of the borrowers or external credit ratings of the instrument
- The correlation between credit risk on all lending facilities of the same borrower
- Changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets. In measuring the 12-month and lifetime expected credit losses, management makes assumptions about prepayments, the timing and extent of missed payments or default events. In addition, management makes assumptions and estimates about the impact that future events may have on the historical data used to measure expected credit losses.

In estimating expected credit losses, the Credit Union develops a number of assumptions as follows:

- The period over which the Credit Union is exposed to credit risk, considering for example, prepayments, extension options, demand features
- The probability-weighted outcome, including identification of scenarios that specify the amount and timing of the cash flows for particular outcomes and the estimated probability of those outcomes
- The risk of default occurring on loans during their expected lives and during the next 12 months after the reporting date
- Expected cash short falls including, recoveries, costs to recover and the effects of any collateral or other credit enhancements
- Estimates of effective interest rates used in incorporating the time value of money

The above assumptions are based on historical information and adjusted for current conditions and forecasts of future economic conditions. The Credit Union determines adjustments needed to its historical assumptions by monitoring the correlation of the probability of default and loss rates with the following economic variables:

- Interest rates
- Unemployment rates
- Inflation
- Loan to Value ratios

The estimate of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes that are neither best-case nor worse-case scenarios. The Credit Union uses judgment to weight these scenarios.

Financial instruments not traded in active markets

For financial instruments not traded in active markets, fair values are determined using valuation techniques such as the discounted cash flow model that rely on assumptions that are based on observable active markets or rates. Certain assumptions take into consideration liquidity risk, credit risk and volatility.

Income taxes

The Credit Union periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Credit Union records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes that they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

4. Summary of significant accounting policies

The following principle accounting policies have been adopted in the preparation of these financial statements.

Cash resources

Cash resources are comprised of cash on hand, demand deposits and term deposits and other marketable securities with maturities of three months or less.

Investments

Each investment is classified into one of the categories described under financial instruments. The classification dictates the accounting treatment for the carrying value and changes in that value.

Term deposits and other marketable securities

Central 1, Concentra, and Credential term deposits and other marketable securities are accounted for at amortized cost.

Portfolio investments

Investments in securities are measured at fair value, with adjustments recognized in comprehensive income.

Equity investments

Investments in equity instruments are measured at fair value through profit and loss ("FVTPL").

Member loans

Loans are initially recognized at their fair value and subsequently measured at amortized cost. Amortized cost is calculated as the loans' principal amount, less any allowance for anticipated losses, plus accrued interest. Interest revenue is recorded on the accrual basis using the effective interest method. Loan administration fees are amortized over the term of the loan using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset.

Equipment and leaseholds

Equipment and leaseholds are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of equipment and leaseholds have different useful lives, they are accounted for as separate items of equipment and leaseholds.

All assets having limited useful lives are depreciated using the straight-line method over their estimated useful lives. Assets are depreciated from the date capitalized. The depreciation rates applicable for each class of asset during the current and comparative period are as follows:

	Years
Furniture and fixtures	3-15 years
Computer hardware	2-5 years
Leasehold improvements	5-10 years
Right-of-use buildings	Term of the lease

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date.

4. Summary of significant accounting policies *(Continued from previous page)*

Intangible assets

The Credit Union's only intangible asset is computer software which is amortized to comprehensive income on a straight-line basis over 2 - 10 years. The useful life of computer software will be reviewed on an annual basis and the useful life is altered if estimates have changed significantly.

Gains or losses on the disposal of intangible assets will be determined as the difference between the net disposal proceeds and the carrying amount of the asset, and recognized in comprehensive income as other operating income or other operating costs, respectively.

Impairment of non-financial assets

At the end of each reporting period, the Credit Union reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Credit Union estimates the recoverable amount of the cash-generating units ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Leases

The Credit Union assesses at inception of a contract, whether the contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Credit Union assesses whether the customer has the following through the period of use:

- The right to obtain substantially all of the economic benefits from use of the identified asset; and
- The right to direct the use of the identified asset.

This policy is applied to contracts entered into, or changed, on or after October 1, 2019.

At the lease commencement date, the Credit Union recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost. The cost of the right-of-use asset is comprised of the initial amount of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, initial direct costs incurred by the Credit Union, and an estimate of the costs to be incurred by the Credit Union in dismantling and removing the underlying asset and restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

4. Summary of significant accounting policies *(Continued from previous page)*

After the commencement date, the Credit Union measures right-of-use assets by applying the cost model, whereby the right-of-use asset is measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability. The right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term or the end of the useful life of the right-of-use asset. The estimated useful life of the right-of-use assets are determined on the same basis as those of property, plant and equipment. The determination of the depreciation period is dependent on whether the Credit Union expects that the ownership of the underlying asset will transfer to the Credit Union by the end of the lease term or if the cost of the right-of-use asset reflects that the Credit Union will exercise a purchase option.

The lease liability is initially measured at the present value of the lease payments not paid at the lease commencement date, discounted using the interest rate implicit in the lease or the Credit Union's incremental borrowing rate, if the interest rate implicit in the lease cannot be readily determined. The lease payments included in the measurement of the lease liability comprise of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, amounts expected to be payable by the Credit Union under a residual value guarantee, the exercise price of a purchase option that the Credit Union is reasonably certain to exercise, and payment of penalties for terminating the lease if the lease term reflects the Credit Union exercising an option to terminate the lease. After the commencement date, the Credit Union measures the lease liability at amortized cost using the effective interest method.

The Credit Union remeasures the lease liability when there is a change in the lease term, a change in the Credit Union's assessment of an option to purchase the underlying asset, a change in the Credit Union's estimate of amounts expected to be payable under a residual value guarantee, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments. On remeasurement of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

Foreclosed assets

Foreclosed assets held for sale are initially recorded at the lower of cost and estimated net realizable value. Cost comprises the balance of the loan at the date on which the Credit Union obtains title to the asset plus subsequent disbursements related to the asset, less any revenues or lease payments received. Foreclosed assets held for sale are subsequently valued at the lower of their carrying amount and fair value less cost to sell.

Member deposits

Member deposits are initially recognized at fair value, and are subsequently measured at amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are initially recorded at fair value and are subsequently carried at amortized cost, which approximates fair value due to the short term nature of these liabilities.

Member shares

Shares are classified as liabilities or member equity in accordance with their terms. Shares redeemable at the option of the member, either on demand or on withdrawal from membership, are classified as liabilities. Shares redeemable at the discretion of the Credit Union board of directors are classified as equity. Shares redeemable subject to regulatory restrictions are accounted for using the criteria set out in IFRIC 2 *Members' Shares in Cooperative Entities and Similar Instruments*.

Income taxes

Current tax and deferred tax are recognized in profit or loss except to the extent that the tax is recognized either in comprehensive income or directly in equity, or the tax arises from a business combination.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

4. Summary of significant accounting policies *(Continued from previous page)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled. The calculation of deferred tax is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting year. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable income.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available which allow the deferred tax asset to be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Foreign currency translation

Transactions denominated in foreign currencies are translated into the functional currency of the Credit Union at exchange rates prevailing at the transaction dates (spot exchange rates). Monetary assets and liabilities are retranslated at the exchange rates at the statement of financial position date. Exchange gains and losses on translation or settlement are recognized in comprehensive income for the current period.

Fair value measurements

The Credit Union classifies fair value measurements recognized in the statement of financial position using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, which require the Credit Union to develop its own assumptions.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

Financial instruments - financial assets

Recognition and initial measurement

The Credit Union recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and subsequent measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The Credit Union determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Debt instruments are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of member loans, term deposits and certain marketable securities.

4. Summary of significant accounting policies *(Continued from previous page)*

- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Credit Union does not hold any financial assets measured at fair value through other comprehensive income.
- Fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and charges in the financial assets' carrying amount are recognized in profit or loss. The Credit Union measures all equity investments at fair value. Changes in fair value are recorded in profit or loss. Equity investments measured at fair value through profit or loss are comprised of shares in Central 1 shares and shares in other co-operative entities.

Impairment

Expected credit loss model

The Credit Union's allowance for credit losses follows an expected credit loss ("ECL") impairment model. The ECL impairment model reflects the present value of cash shortfalls related to default events either over the following twelve months, or over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased and probability-weighted amount which considers a variety of scenarios based on reasonable and supportable information. Forward-looking-information ("FLI") is incorporated into the estimation of ECL allowances, which involves significant judgement (see note 7 for additional details). The calculation of ECL allowances is based on the expected value of three probability-weighted scenarios to measure the expected cash shortfalls, discounted at the effective interest rate. A cash shortfall is the difference between the contractual cash flows that are due and the cash flows that the Credit Union expects to receive. The key inputs in the measurement of ECL allowances are as follows:

- The probability of default ("PD") is an estimate of the likelihood of default over a given time horizon;
- The loss given default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time; and
- The exposure at default ("EAD") is an estimate of the exposure at a future default date.

ECL stage development

On initial recognition of the financial instrument, a loss allowance is recognized and maintained equal to 12 months of ECL. 12-month ECL is defined as the portion of the lifetime expected credit losses that represent the expected credit losses that result from default events on the financial instrument that are possible within 12 months after the reporting date.

If credit risk increases significantly relative to initial recognition of the financial instrument, the loss allowance is increased to cover full lifetime ECL. In assessing whether credit risk has increased significantly, the Credit Union compares the risk of default occurring on the financial instrument as at the reporting date, with the risk of default occurring on the financial instrument as at the date of initial recognition. Evidence of increased credit risk is observed when the financial instrument is 30 days or more past due on its contractual payment obligations or the financial instrument has had an unfavourable movement in internal risk ratings. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the Credit Union reverts to recognizing 12 months of ECL.

When a financial instrument is considered credit-impaired, the loss allowance continues to reflect lifetime expected credit losses and interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount. The Credit Union considers a financial instrument as impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial instrument have occurred after its initial recognition. Evidence of impairment includes indications that the borrower is experiencing significant financial difficulties, or a default or delinquency has occurred. Under IFRS 9, all financial instruments on which repayment of principal or payment of interest is contractually 90 days in arrears is automatically considered impaired.

4. Summary of significant accounting policies *(Continued from previous page)*

Recognition

The Credit Union recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions. For those financial assets for which the Credit Union assessed that a significant increase in credit risk has occurred, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

For member loans receivable the Credit Union records a loss allowance equal to the expected credit losses resulting from default events that are possible within the next 12-month period, unless there has been a significant increase in credit risk since initial recognition. For those financial assets for which the Credit Union assessed that a significant increase in credit risk has occurred, the Credit Union records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Credit Union assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts, breaches of borrowing contracts such as default events or breaches of borrowing covenants, and requests to restructure loan payment schedules. For financial assets assessed as credit-impaired at the reporting date, the Credit Union continues to recognize a loss allowance equal to lifetime expected credit losses.

Loss allowances for expected credit losses are presented in the statement of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Credit Union has no reasonable expectations of recovering all or any portion thereof.

Derecognition of financial assets

The Credit Union derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire, or the financial asset has been transferred under particular circumstances.

For this purpose, a financial asset is transferred if the Credit Union either transfers the right to receive the contractual cash flows of the financial asset, or retains the right to receive the contractual cash flows of the financial asset, but assumes an obligation to pay received cash flows in full to one or more third parties without material delay and is prohibited from further selling or transferring the financial asset.

Transferred financial assets are evaluated to determine the extent to which the Credit Union retains the risks and rewards of ownership. When the Credit Union neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it evaluates whether it has retained control of the financial asset.

Financial instruments - financial liabilities

Recognition and initial measurement

The Credit Union recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Credit Union measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

Classification and subsequent measurement

Subsequent to initial recognition, financial liabilities are measured at amortized cost or fair value through profit or loss.

Financial liabilities are not reclassified subsequent to initial recognition.

Derecognition of financial liabilities

The Credit Union derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

4. Summary of significant accounting policies *(Continued from previous page)*

Revenue recognition

The following describes the Credit Union's principal activities from which it generates revenue.

Interest

Interest income and expense are recognized in profit or loss using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets.

The 'amortized cost' of a financial asset or financial liability is the amount at which the instrument is measured on initial recognition minus principal repayments, plus or minus any cumulative amortization using the effective interest method of any difference between the initial amount and maturity amount and adjusted for any expected credit loss allowance. The 'gross carrying amount' of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit losses.

Interest income and expense is calculated by applying the effective interest rate to the gross carrying amount of the financial asset (when the asset is not credit-impaired) or the amortized cost of the financial liability. Where a financial asset has become credit-impaired subsequent to initial recognition, interest income is calculated in subsequent periods by applying the effective interest method to the amortized cost of the financial asset. If the asset subsequently ceases to be credit-impaired, calculation of interest income reverts to the gross basis.

Other revenue

Fees related to the origination or renewal of a loan are considered an integral part of the yield earned on a loan and are recognized using the effective interest method over the estimated repayment term of the related loan.

Investment income is recognized as interest is earned on interest-bearing investments, and when dividends are declared on shares.

Revenue from the provision of services to members is recognized when earned, specifically when amounts are fixed or can be determined and the ability to collect is reasonably assured.

Commission revenue is recognized in profit or loss on an accrual basis upon the provision of services from acting in the capacity of an agent rather than as the principal in a transaction.

Government grants

Government assistance related to COVID-19 relief programs are included in comprehensive income in the year in which the Credit Union qualifies for the benefits.

5. Cash resources

	2021	2020
Cash and current accounts	6,940,289	10,797,696
Term deposits and other marketable securities maturing in less than three months	3,008,696	5,610,654
	9,948,985	16,408,350

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Notes to the Financial Statements
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6. Investments

	2021	2020
Term deposits and other marketable securities carried at amortized cost, maturing between three months and five years:		
Central 1 bid term deposits	10,500,000	3,990,586
Concentra term deposits	7,000,000	-
Marketable securities held with Credential	5,850,241	-
Accrued interest	60,081	-
	23,410,322	3,990,586
Other investments held at fair value through profit and loss		
Central 1 and other co-operative entities	28,009	173,559
	23,438,331	4,164,145

Liquidity reserve deposit

The Credit Union is required to maintain on deposit with an amount equal to 8% of the Credit Union's total deposits and borrowings. The liquidity reserve deposit bears interest at a rate which is fixed periodically and is callable by the Credit Union on ninety days notice. At September 30, 2021, the Credit Union liquidity deposits equal 12.21% (2020 - 47.32%) of the Credit Union's total deposits and borrowings less any cash on hand. At September 30, 2021, the Credit Union's liquidity deposits exceeded the minimum required by approximately \$2,100,000 (2020 - \$16,950,000).

7. Member loans

Principal and allowance by loan type:

		2021	
	Principal	Allowance for loan impairment (Note 19)	Net carrying value
Residential mortgages	16,820,725	-	16,820,725
Personal and other	1,001,017	104,715	896,302
Commercial mortgages	2,632,431	3,242	2,629,189
Commercial loans	49,521	49,521	-
Accrued interest	26,214	-	26,214
Total	20,529,908	157,478	20,372,430

		2020	
	Principal	Allowance for loan impairment (Note 19)	Net carrying value
Residential mortgages	20,474,790	-	20,474,790
Personal and other	2,235,387	49,715	2,185,672
Commercial mortgages	2,784,872	-	2,784,872
Commercial loans	102,015	47,763	54,252
Accrued interest	38,083	-	38,083
Total	25,635,147	97,478	25,537,669

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8. Equipment and leaseholds

	<i>Right-of-use building</i>	<i>Furniture and fixtures</i>	<i>Leaseholds</i>	<i>Total</i>
Cost				
Balance at October 1, 2019	-	180,395	236,438	416,833
Additions	-	47,694	-	47,694
Disposals	-	(24,583)	-	(24,583)
Balance at September 30, 2020	-	203,506	236,438	439,944
Balance at October 1, 2020	-	203,506	236,438	439,944
Additions	910,753	-	-	910,753
Balance at September 30, 2021	910,753	203,506	236,438	1,350,697
Depreciation and impairment losses				
Balance at October 1, 2019	-	151,446	226,025	377,471
Depreciation charge for the year	-	14,869	10,413	25,282
Disposals	-	(24,583)	-	(24,583)
Balance at September 30, 2020	-	141,732	236,438	378,170
Balance at October 1, 2020	-	141,732	236,438	378,170
Depreciation charge for the year	-	12,210	-	12,210
Depreciation of right-of-use building	191,737	-	-	191,737
Balance at September 30, 2021	191,737	153,942	236,438	582,117
Net book value				
At September 30, 2020	-	61,774	-	61,774
At September 30, 2021	719,016	49,564	-	768,580

CCEC Credit Union
Notes to the Financial Statements
For the year ended September 30, 2021

9. Intangible assets

	<i>Software</i>
Cost	
Balance at October 1, 2019	306,564
Balance at September 30, 2020	306,564
Balance at October 1, 2020	306,564
Additions	146,715
Balance at September 30, 2021	453,279
Depreciation and impairment losses	
Balance at October 1, 2019	95,960
Depreciation charge for the year	35,270
Balance at September 30, 2020	131,230
Balance at October 1, 2020	131,230
Depreciation charge for the year	47,909
Balance at September 30, 2021	179,139
Net book value	
At September 30, 2020	175,334
At September 30, 2021	274,140

10. Member deposits

	<i>2021</i>	<i>2020</i>
Demand deposits	24,029,012	19,905,257
Plan 24	8,626,223	6,831,603
Term deposits	8,453,878	7,393,943
Registered plans	9,354,666	8,864,928
Accrued interest savings and deposits	78,050	115,402
	50,541,829	43,111,133

Total member deposits include \$664,195 (2020 - \$397,326) of US dollar deposits, denominated in Canadian dollars.

CCEC Credit Union
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For the year ended September 30, 2021

11. Member shares

Authorized:

Unlimited number of member shares, at an issue price of \$1

Issued:

	2021	2020
Member shares classified as liability		
Member shares	169,870	157,378
Loan member shares	-	29,883
	169,870	187,261

Member shares are classified as liabilities in accordance with IFRIC 2 are redeemable at the option of the member, either on demand or on withdrawal from membership. The total amount of shares that are redeemable at September 30, 2021 as part of the Credit Union's share regulations are classified as liabilities.

Terms and conditions

The Credit Union is authorized to issue an unlimited number of non-transferable, voting member shares, redeemable at par. Each member is entitled to one vote. The ownership requirements are 100 shares for co-operatives and not-for-profit societies, 25 shares for youth members, 5 shares for junior members, and 50 shares for all others. Member shares may be redeemed when the account is closed.

In addition, the Credit Union may require borrowing members to purchase additional member shares based on the loan type and amount. The actual amount required is determined by the Board of Directors at their discretion. Loan member shares may be redeemed once the loan has been paid in full. In 2021, the Board of Directors determined that loan equity shares are no longer required. All loan shares were redeemed and transferred to member shares.

12. Lease liability

Leases as lessee

The Credit Union leases space in one building. The lease term spans up to five years and includes options to renew the lease for another five year term.

Right-of-use assets

Right-of-use assets of the Credit Union have been presented with equipment and leaseholds in the statement of financial position.

Lease liability

The following table sets out a maturity analysis of the lease liability:

	2021	2020
Maturity analysis – contractual undiscounted cash flows		
Less than one year	190,118	-
One to five years	560,905	-
Total undiscounted lease liabilities at September 30, 2021	751,023	-
Lease liabilities included in the statement of financial position at September 30, 2021	732,469	-

CCEC Credit Union
Notes to the Financial Statements
For the year ended September 30, 2021

13. Income tax

Reasons for the difference between income tax expense for the year and the expected income taxes based on the statutory tax rate of 27% (2020 - 27%) are as follows:

	2021	2020
Income before income taxes	292,790	787,647
Income tax expense on the statutory rate	79,053	212,664
Preferred rate deduction	(16,844)	(30,000)
Items not deductible for tax purposes	87,123	33,199
Items deductible for tax purposes	(90,375)	(21,628)
Provincial low-rate deduction	(28,074)	(83,050)
Current income tax expense	30,883	111,185

The movement in 2021 deferred income tax assets and liabilities are:

	Oct 1, 2020	Change for the year	Sep 30, 2021
Deferred income tax assets:			
Allowance for impaired loans	17,100	10,500	27,600
Deferred income tax liabilities:			
Equipment and leaseholds	(26,900)	(13,000)	(39,900)
	(9,800)	(2,500)	(12,300)

The movement in 2020 deferred income tax assets and liabilities are:

	Oct 1, 2019	Change for the year	Sep 30, 2020
Deferred income tax assets:			
Allowance for impaired loans	11,400	5,700	17,100
Deferred income tax liabilities:			
Equipment and leaseholds	(28,400)	1,500	(26,900)
	(17,000)	7,200	(9,800)

14. Government subsidies

In March 2020, The Government of Canada announced the introduction of the Canada Emergency Wage Subsidy (CEWS) to support employers that are hardest hit by the pandemic and protect jobs Canadians depend on. The Credit Union determined that it would be eligible for the CEWS amounts and has applied for such assistance from the Government of Canada. At September 31, 2021 the Credit Union has recorded subsidy revenue in the amount of \$246,896 (2020 - \$153,664) for CEWS, of which \$12,283 (2020 - \$nil) is included in accounts receivable. This amount has been included as an offset against salaries, wages and benefits expense.

In September 2020, The Government of Canada announced the introduction of the Canada Emergency Rent Subsidy (CERS) to support organizations that are hardest hit by the pandemic. The Credit Union determined that it would be eligible for the CERS amount and has applied for such assistance from the Government of Canada. At September 31, 2021 the Credit Union has recorded subsidy revenue in the amount of \$85,842 (2020 - \$nil), of which \$5,443 (2020 - \$nil) is included in accounts receivable.

Any subsidies received that are subsequently determined not to meet the eligibility criteria are subject to repayment with interest and possibly penalties in certain cases. Management believes the Credit Union has met the eligibility criteria for these subsidies and that they have been calculated correctly. As such, no contingent liability for repayment has been recorded in relation to these subsidies.

15. Operating expenses

	2021	2020
Central 1 service charges	52,147	61,873
Data processing	95,048	91,125
Depreciation of equipment and leaseholds	47,909	35,270
Depreciation of intangible assets	12,210	25,282
Depreciation of right of use asset	191,737	-
Directors' expenses	11,325	8,202
Insurance	7,136	6,864
Legal fees	3,735	36,726
Loan administration fees	8,216	4,323
Office and miscellaneous	36,484	36,694
Office premises and supplies	23,216	211,341
Promotions	1,751	4,977
Regulatory costs	103,559	78,780
Wages and benefits (Note 14)	366,856	578,581
	961,329	1,180,038

16. Related party transactions

Key management compensation of the Credit Union

Key management of the Credit Union are defined by IAS 24 *Related Party Disclosures* as those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, including directors and management.

Key management personnel ("KMP") are comprised of the General Manager, Interim General Manager, Manager - Risk and Branch Operations, and Manager - Administration. Remuneration includes the following expenses:

	2021	2020
Salary and benefits	221,737	326,496

Transactions with key management personnel

There are no loans that are impaired in relation to loan balances with KMP.

CCEC Credit Union
Notes to the Financial Statements
For the year ended September 30, 2021

16. Related party transactions *(Continued from previous page)*

There are no benefits or concessional terms and conditions applicable to KMP and their family members. There are no loans that are impaired in relation to the loan balances with family or relatives of KMP.

	2021	2020
Lines of credit	29,778	105,481
Mortgages	1,579,037	1,448,977
Loans	68,002	10,937
	1,676,817	1,565,395

	2021	2020
During the year the aggregate value of loans disbursed to KMP amounted to:		
Lines of credit	5,000	945,800

	2021	2020
Interest and other revenue earned on loans and revolving credit facilities to KMP	28,885	29,405
Total interest paid on deposits to KMP	5,735	1,732

	2021	2020
The total value of member deposits from KMP as at the year-end:		
Chequing and demand deposits	724,528	682,218
Term deposits	244,613	463,339
Registered plans	622,581	471,794
	1,591,722	1,617,351

17. Capital management

The Credit Union requires capital to fund existing and future operations and to meet regulatory capital requirements.

The Credit Union is required under provincial legislation to maintain a capital base equal to 8% of the total risk-weighted value of assets; each asset being assigned a risk factor based on the probability that a loss may be incurred on ultimate realization of that asset. At September 30, 2021, the Credit Union had a capital base approximating 35.83% (2020 - 34.72%) of the risk-weighted value.

The Credit Union employs a forward looking capital plan that is reviewed by management and the Board of Directors. The capital plan forecasts the Credit Union's capital position over a five year period. The capital plan dictates management's approach to growth, loan mix, credit quality, fixed assets, profitability objectives, and dividend/patronage rebate policy, and has a significant influence on member service objectives. It also establishes the criteria to maintain a cushion beyond the minimum statutory capital requirements. Management and the Board of Directors ensure the Credit Union's investment and lending policy and credit risk profile reflect loan portfolio composition and levels of risk that are consistent with the Credit Union's capital resources and objectives.

CCEC Credit Union
Notes to the Financial Statements
For the year ended September 30, 2021

17. Capital management *(Continued from previous page)*

There has been no change in the overall capital requirements strategy employed during the year ended September 30, 2021.

	2021	2020
Primary capital		
Retained earnings	3,347,206	3,087,799
Member shares	129,210	142,689
Deferred income tax liability	12,300	9,800
	3,488,716	3,240,288
Secondary capital		
Share of system retained earnings	516,371	446,384
Deductions from capital	(274,140)	(175,334)
Capital base	3,730,947	3,511,338

18. Fair value measurements

Recurring fair value measurements

The Credit Union's assets and liabilities measured at fair value in the statement of financial position on a recurring basis have been categorized into the fair value hierarchy as follows:

			2021	
	Fair Value	Level 1	Level 2	Level 3
Assets				
Cash resources - cash and current accounts	6,940,289	6,940,289	-	-
Investments - Central 1 shares and shares in other co-operative entities	28,009	-	28,009	-
	6,968,298	6,940,289	28,009	-
Liabilities	-	-	-	-
Total recurring fair value measurements	6,968,298	6,940,289	28,009	-

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Notes to the Financial Statements
For the year ended September 30, 2021

18. **Fair value measurements** *(Continued from previous page)*

2020

	<i>Fair Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Assets				
Cash resources - cash and current accounts	10,797,696	10,797,696	-	-
Investments - Central 1 shares and shares in other co-operative entities	173,559	-	173,559	-
	10,971,255	10,797,696	173,559	-
Liabilities	-	-	-	-
Total recurring fair value measurements	10,971,255	10,797,696	173,559	-

Level 2 fair value measurements

Valuation techniques and inputs for recurring Level 2 fair value measurements are as follows:

<i>Line item</i>	<i>Valuation technique(s)</i>	<i>Inputs</i>
Investments - Central 1 shares and shares in other co-operative entities	Fair value is determined to be equivalent to the par value of shares due to the fact transactions occur at par value on a regular and recurring basis.	Value of shares

CCEC Credit Union
Notes to the Financial Statements
For the year ended September 30, 2021

18. Fair value measurements (Continued from previous page)

Non-recurring fair value measurements

The Credit Union's non-recurring fair value measurements have been categorized into the fair value hierarchy as follows:

			2021	
	Fair Value	Level 1	Level 2	Level 3
Assets				
Cash resources - term deposits and other marketable securities maturing in less than three months	3,008,696	-	3,008,696	-
Investment - Central 1 bid term deposits	10,710,212	-	10,710,212	-
Investment - Concentra term deposits	7,016,368	-	7,016,368	-
Investment - Marketable securities with Credential	5,848,871	-	5,848,871	-
Member loans	20,455,633	-	20,455,633	-
Total assets	47,039,780	-	47,039,780	-
Liabilities				
Member deposits	50,701,680	-	50,701,680	-
Member shares	169,870	-	-	169,870
Accounts payable and accrued liabilities	137,361	-	137,361	-
Total liabilities	51,008,911	-	50,839,041	169,870

			2020	
	Fair Value	Level 1	Level 2	Level 3
Assets				
Cash resources - term deposits and other marketable securities maturing in less than three months	5,610,654	-	5,610,654	-
Investment - Central 1 bid term deposits	4,029,178	-	4,029,178	-
Member loans	25,626,605	-	25,626,605	-
Total assets	35,266,437	-	35,266,437	-
Liabilities				
Member deposits	43,241,216	-	43,241,216	-
Member shares	187,262	-	-	187,262
Accounts payable and accrued liabilities	48,083	-	48,083	-
Total liabilities	43,476,561	-	43,289,299	187,262

19. Financial instruments

All significant financial assets, financial liabilities and equity instruments of the Credit Union are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

Credit Risk

Credit risk is the risk of financial loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Credit Union. Credit risk primarily arises from member loans.

Risk management process

Credit risk management is integral to the Credit Union's activities. The Board of Directors are responsible for developing and implementing the credit risk management practices of the Credit Union by establishing the relevant policies and procedures. Management carefully monitors and manages the Credit Union's exposure to credit risk by reviewing member credit extension policies and guidelines and reviewing the performance of loan portfolios, including default events and past due status. The risk management process starts at the time of a member credit application and continues until the loan is fully repaid. The primary credit risk management policies and procedures include the following:

- Loan security (collateral) requirements
- Security valuation processes, including method used to determine the value of real property and personal property when that property is subject to a mortgage or other charge
- Maximum loan to value ratios where a mortgage or other charge on real or personal property is taken as security
- Borrowing member capacity (repayment ability) requirements
- Borrowing member character requirements
- Limits on aggregate credit exposure per individual and related parties
- Limits on concentration of credit risk by loan type, industry and economic sector
- Limits on the types of credit facilities and services offered
- Internal loan approval processes and loan documentation standards
- Loan re-negotiation, extension and renewal processes
- Processes that identify adverse situations and trends, including risks associated with economic, geographic and industry sectors
- Control and monitoring processes including portfolio risk identification and delinquency tolerances
- Timely loan analysis processes to identify, access and manage delinquent and impaired loans
- Collection processes that include action plans for deteriorating loans
- Overdraft control and administration processes

The Credit Union's credit risk policies, processes and methodologies are reviewed periodically to ensure they remain relevant and effective in managing credit risk.

Inputs, assumptions and techniques

Definition of default and assessments of credit risk

Financial instruments are assessed at each reporting date for a significant increase in credit risk since initial recognition. This assessment considers changes in the risk of a default occurring at the reporting date as compared to the date of initial recognition.

The Credit Union considers loans to members to be in default when contractual payments are more than 90 days past due or other objective evidence of impairment exists, such as notification from the borrower or breach of major covenants. This definition is consistent with the definitions used for the Credit Union's internal credit risk management practices and has been selected because it most closely aligns the definition of default to the Credit Union's past credit experience, and the covenants placed in standard borrowing contracts. Relatively few financial instruments subsequently return to performing status after a default has occurred under this definition without further intervention on the part of the Credit Union.

19. Financial instruments *(Continued from previous page)*

Changes in credit risk are assessed on the basis of the risk that a default will occur over the contractual lifetime of the financial instrument rather than based on changes in the amount of expected credit losses or other factors. In making this assessment the Credit Union takes into account all reasonable and supportable information, including forward-looking information, available without undue cost or effort. The Credit Union considers past due information of its balances and information about the borrower available through regular commercial dealings, such as requests for loan modifications.

The credit risk of a financial instrument is deemed to have significantly increased since initial recognition when contractual payments have exceeded 30 days past due, or other information becomes available to management (e.g., through the course of regular credit reviews, communication with the borrower or forecasting processes which consider macroeconomic conditions expected to have a future impact on borrowers). The Credit Union considers there not to have been a significant increase in credit risk despite contractual payments being more than 30 days past due when they have interviewed the borrower and determined that payment is forthcoming.

The Credit Union identifies credit-impaired financial assets through regular reviews of past due balances and credit assessments of its customers. Credit-impaired financial assets are typically placed on the Credit Union's watch list based on its internal credit risk policies. In making this assessment, the Credit Union considers past due information of its balances and information about the borrower available through regular commercial dealings.

Measurement of expected credit losses

The Credit Union measures expected credit losses for loans to members on a group basis. These assets are grouped on the basis of their shared risk characteristics such as loan type. Otherwise, expected credit losses are measured on an individual basis.

When measuring 12-month and lifetime expected credit losses, the Credit Union consider items such as the contractual period of the financial asset or the period for which the entity is exposed to credit risk, determination of appropriate discount rates used in incorporating the time value of money, assumptions about prepayments, timing and extent of missed payments or default events, how probabilities of default and other assumptions and inputs used in calculating the amount of cash short falls depending on the type or class of financial instrument. Forward-looking information is incorporated into the determination of expected credit loss by considering regional economic journals and forecasts, collecting information available from regular commercial dealings with its customers and other publicly available information and considering the effect such information could have on any assumptions or inputs used in the measurement of expected credit losses, determining significant increases in credit risk or identifying a credit-impaired financial asset.

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets. In measuring the 12-month and lifetime expected credit losses, management makes assumptions about prepayments, the timing and extent of missed payments or default events. In addition, management makes assumptions and estimates about the impact that future events may have on the historical data used to measure expected credit losses.

Write-offs

Financial assets are written off when there is no reasonable expectation of recovery. The Credit Union assesses that there is no reasonable expectation of recovery when the security relating to the loan has been sold and there are remaining amounts outstanding, the borrower has filed for bankruptcy and the trustee has indicated that no additional funds will be paid. Where an asset has been written off but is still subject to enforcement activity, the asset is written off but remains on a list of delinquent accounts. Where information becomes available indicating the Credit Union will receive funds, such amounts are recognized at their fair value.

Exposure to credit risk

The following table sets out information about the credit quality of financial assets assessed for impairment under IFRS 9 *Financial instruments*. The amounts in the table, unless otherwise indicated, represent the assets' gross carrying amount.

Except as noted below, the gross carrying amount represents the maximum exposure to credit risk for that class of financial asset.

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For the year ended September 30, 2021

19. Financial instruments (Continued from previous page)

	12-month ECL	2021 Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Residential mortgages				
Low risk	16,820,725	-	-	16,820,725
Medium risk	-	-	-	-
Default	-	-	-	-
Total gross carrying amount	16,820,725	-	-	16,820,725
Less: allowance for loan impairment	-	-	-	-
Total carrying amount	16,820,725	-	-	16,820,725
Personal and other				
Low risk	998,905	-	-	998,905
Medium risk	-	300	-	300
Default	-	-	-	-
Total gross carrying amount	998,905	300	-	999,205
Less: allowance for loan impairment	104,415	300	-	104,715
Total carrying amount	894,490	-	-	894,490
Commercial mortgages				
Low risk	2,629,189	-	-	2,629,189
Medium risk	-	-	-	-
Default	-	-	-	-
Total gross carrying amount	2,632,431	-	-	2,629,189
Less: allowance for loan impairment	3,242	-	-	3,242
Total carrying amount	2,629,189	-	-	2,625,947
Commercial loans				
Low risk	49,521	-	-	49,521
Medium risk	-	-	-	-
Default	-	-	-	-
Total gross carrying amount	49,521	-	-	49,521
Less: allowance for loan impairment	49,521	-	-	49,521
Total carrying amount	-	-	-	-
Total gross carrying amount				20,346,216
Add: accrued interest				26,214
Total carrying amount				20,372,430

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Notes to the Financial Statements
For the year ended September 30, 2021

19. Financial instruments *(Continued from previous page)*

		2020		
	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Residential mortgages				
Low risk	20,474,790	-	-	20,474,790
Medium risk	-	-	-	-
Default	-	-	-	-
Total gross carrying amount	20,474,790	-	-	20,474,790
Less: loss allowance	-	-	-	-
Total carrying amount	20,474,790	-	-	20,474,790
Personal and other				
Low risk	2,235,387	-	-	2,235,387
Medium risk	-	-	-	-
Default	-	-	-	-
Total gross carrying amount	2,235,387	-	-	2,235,387
Less: loss allowance	49,715	-	-	49,715
Total carrying amount	2,185,672	-	-	2,185,672
Commercial mortgages				
Low risk	2,784,872	-	-	2,784,872
Medium risk	-	-	-	-
Default	-	-	-	-
Total gross carrying amount	2,784,872	-	-	2,784,872
Less: loss allowance	-	-	-	-
Total carrying amount	2,784,872	-	-	2,784,872
Commercial loans				
Low risk	80,730	-	-	80,730
Medium risk	-	21,285	-	21,285
Default	-	-	-	-
Total gross carrying amount	80,730	21,285	-	102,015
Less: loss allowance	26,478	21,285	-	47,763
Total carrying amount	54,252	-	-	54,252
Total gross carrying amount				25,499,586
Add: accrued interest				38,083
Total carrying amount				25,537,669

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Notes to the Financial Statements
For the year ended September 30, 2021

19. Financial instruments *(Continued from previous page)*

Amounts arising from expected credit losses

Reconciliation of the loss allowance

The following tables show a reconciliation of the opening to the closing balance of the loss allowance from member loans.

	<i>12-month ECL</i>	<i>Lifetime ECL (not credit impaired)</i>	<i>Lifetime ECL (credit impaired)</i>	<i>Total</i>
Allowance for loan impairment				
Balance at October 1, 2019	40,525	24,705	-	65,230
Transfer to 12-month ECL	9,705	(9,705)	-	-
Transfer to lifetime ECL (not credit impaired)	-	-	-	-
Transfer to lifetime ECL (credit impaired)	-	(15,000)	15,000	-
Provision for loan impairment, net of recoveries	25,963	21,285	12,752	60,000
Accounts written off, net of recoveries	-	-	(27,752)	(27,752)
Balance at September 30, 2020	76,193	21,285	-	97,478
Balance at October 1, 2020	76,193	21,285	-	97,478
Transfer to 12-month ECL	21,285	(21,285)	-	-
Provision for loan impairment, net of recoveries	59,700	300	-	60,000
Accounts written off, net of recoveries	-	-	-	-
Balance at September 30, 2021	157,178	300	-	157,478

Credit commitments

To meet the needs of its members and manage its own exposure to fluctuations in interest rates, the Credit Union participates in various commitments and contingent liability contracts. The primary purpose of these contracts is to make funds available for the financing needs of members. These are subject to normal credit standards, financial controls, risk management and monitoring procedures. The contractual amounts of these credit instruments represent the maximum credit risk exposure without taking into account the fair value of any collateral, in the event other parties fail to perform their obligations under these instruments.

The Credit Union makes the following instruments available to its members:

- (a) guarantees and standby letters of credit representing irrevocable assurances that the Credit Union will pay if a member cannot meet their obligations to a third party;
- (b) commitments to extend credit representing unused portions of authorizations to extend credit in the form of loans, (including lines of credit), guarantees or letters of credit.

The amounts shown on the table below do not necessarily represent future cash requirements since many commitments will expire or terminate without being funded.

As at year-end, the Credit Union had the following outstanding financial instruments subject to credit risk:

	2021	2020
Unadvanced lines of credit	5,117,310	5,238,377

CCEC Credit Union
Notes to the Financial Statements
For the year ended September 30, 2021

19. Financial instruments (Continued from previous page)

Interest rate risk

Interest rate risk relates to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Credit Union incurs interest rate risk on its loans and other interest bearing financial instruments. The Credit Union does not hedge its interest rate risk. See below for further information on interest rate sensitivity.

Contractual repricing and maturity

All financial instruments are reported in the schedule below based on the earlier of their contractual re – pricing date or maturity date. The schedule below does not identify management's expectations of future events where re – pricing and maturity dates differ from contractual dates.

	<i>Within three months</i>	<i>Four months to one year</i>	<i>One year to five years</i>	<i>Non-Interest Sensitive</i>	2021 <i>Total</i>	2020 <i>Total</i>
Assets						
Cash resources	9,051,355	-	-	897,630	9,948,985	16,408,350
<i>Average yield %</i>	<i>0.51</i>	-	-	-	<i>0.51</i>	<i>0.80</i>
Investment - Central 1	-	-	10,500,000	96,785	10,596,785	4,164,145
<i>Average yield %</i>	-	-	<i>1.45</i>	-	<i>1.45</i>	<i>1.01</i>
Investment - Concentra	-	3,000,000	4,000,000	-	7,000,000	-
<i>Average yield %</i>	-	<i>0.85</i>	<i>0.93</i>	-	<i>0.93</i>	-
Investment - Credential	-	5,846,182	-	4,059	5,850,241	-
<i>Average yield %</i>	-	<i>0.18</i>	-	-	<i>0.18</i>	-
Members loans	5,409,447	7,557,642	7,536,606	(131,265)	20,372,430	25,537,669
<i>Average yield %</i>	<i>3.84</i>	<i>3.13</i>	<i>3.50</i>	-	<i>3.48</i>	<i>3.83</i>
Other assets	-	-	-	17,726	17,726	4,185
	14,460,802	16,403,824	22,036,606	884,935	53,786,167	46,114,349
Liabilities						
Member deposits	12,845,207	9,045,365	4,798,707	23,852,550	50,541,829	43,111,133
<i>Average yield %</i>	<i>0.13</i>	<i>0.64</i>	<i>1.41</i>	-	<i>0.50</i>	<i>0.50</i>
Member shares	-	-	-	169,870	169,870	187,262
Accounts payable and accrued liabilities	-	-	-	137,361	137,361	48,083
	12,845,207	9,045,365	4,798,707	24,159,781	50,849,060	43,346,478
Net sensitivity	1,615,595	7,358,459	17,237,899	(23,274,846)	2,937,107	2,767,871

Based on the current financial instruments, it is estimated that a 1.0% increase in the interest rate would increase financial margin by \$181,000 (2020 - \$126,000). A 1.0% decrease in the interest rate would decrease financial margin by \$33,000 (2020 - \$64,000).

19. Financial instruments *(Continued from previous page)*

Liquidity risk

Liquidity risk is the risk that the Credit Union cannot meet a demand for cash or fund its obligations as they come due. The Credit Union's management oversees the Credit Union's liquidity risk to ensure the Credit Union has access to enough readily available funds to cover its financial obligations as they come due. The Credit Union's business requires such liquidity for operating and regulatory purposes.

The Credit Union manages its liquidity position from three perspectives:

- Structural liquidity risk, which addresses the risk due to mismatches in effective maturities between assets and liabilities, more specifically the risk of over reliance on short-term liabilities to fund long-term illiquid assets;
- Tactical liquidity risk, which addresses the day-to-day funding requirements;
- Contingent liquidity risk, which assess the impact of sudden stressful events and the Credit Union's responses thereto.

The primary liquidity risk policies and procedures include the following:

- Liquidity risk management framework to measure and control liquidity risk exposure;
- Measurement of cashflows;
- Maintain a line of credit and borrowing facility with ;
- Maintenance of a pool of high quality liquid assets;
- Monitoring of single deposits and sources of deposits;
- Monitoring of term deposits and other marketable securities.

Market risk

Market risk is the risk of loss in value of financial instruments that may arise from changes in market factors such as interest rates, equity prices and credit spreads. The Credit Union's exposure changes depending on market conditions. Market risks that have a significant impact on the Credit Union include fair value risk and interest rate risk.

20. Event after the reporting period

On October 19, 2021 the Credit Union informed their membership that the Credit Union has engaged in merger discussions with Community Savings Credit Union. The merger remains contingent on a vote by the Credit Union's membership in the Spring of 2022 and British Columbia Financial Services Authority ("BCFSA") approval.

21. Comparative figures

Certain comparative figures have been reclassified for financial statement presentation purposes.

SCHEDULE "C"

PURCHASER'S COMMON BOND

Persons who work, reside or carry on business in the Province of British Columbia whom the Directors from time to time consider may be conveniently served by the credit union.

SCHEDULE "D"

PURCHASER'S SERVICES

The Purchaser offers a full range of banking services to individuals, businesses and not-for-profit organizations. In addition to the services offered by the credit union, other subsidiaries and suppliers of the Purchaser provide additional wealth management and insurance services to members. More information about the Purchaser's products and services can be found on the Purchaser's website at <https://www.comsavings.com>.

1. Representative Listing

The following is a representative listing of the products and services which the Purchaser offers to its members:

RETAIL BANKING

Chequing and Savings Accounts
US Dollar Accounts
Term Deposits/Guaranteed Investment Certificates
RRSPs, RRIFs, RDSPs, RESPs and TFSAs
Loans, Mortgages and Lines of Credit
Letters of Credit
Money/Wire Transfer Services in Various Currencies
Foreign Currency
Telephone, Mobile and Internet Banking Services
Cheques
Pre-Authorized Debits and Credits
Credit and Debit Cards
Automatic Teller Machines
Night Deposit Services
Safe Deposit Boxes
Official Cheques (CAD & USD)
Statements (paper and e-Statement – various schedules)
Deposit Anywhere (Remote Deposit Capture)
Interac e-Transfer & Me-to-Me Transfer Services

COMMERCIAL BANKING

Chequing and Savings Accounts
US Dollar Accounts
Business Loans and Mortgages
Real Estate & Development Financing
Operating Lines of Credit
Merchant Services
Automatic Funds Transfer (Payroll) Services
Letters of Credit

Statements (paper and e-Statement – various schedules)
Group Retirement Plans
Term Deposits/Guaranteed Investment Certificates
Cheques
Pre-Authorized Debits and Credits
Credit and Debit Cards
Automatic Teller Machines
Night Deposit Services
Deposit Anywhere (Remote Deposit Capture)
Interac e-Transfer & Me-to-Me Transfer Services

WEALTH MANAGEMENT

Financial Planning
On-Line Brokerage Services (QTrade Investor)
Investment Services
Mutual Funds
Discretionary Investment Management Accounts (SMA) through Credential
Group Retirement Plans
Registered products including: LIFs, RIFs, RESPs, RRSPs, TFSAs, RDSPs

INSURANCE

Life, Loss of Employment, Critical Illness & Disability Credit Insurance
Segregated Funds
Annuities
Wellness Health and Dental Insurance
Small Business Insurance
Travel Insurance
Loan Insurance

2. Underserved Membership

In addition to the products and services outlined in the foregoing representative listing, the Purchaser will provide basic banking services and short-term loans of up to \$2,500 at fair interest rates for members who are ineligible for credit under standard lending guidelines, in a similar manner as was provided by the Vendor prior to the Effective Date.

SCHEDULE "E"

EMPLOYMENT MATTERS

The Purchaser and the Vendor acknowledge and agree that the employees of the Vendor are a key component of the proposed transaction and the parties agree as follows:

1. On the Effective Date, the Purchaser shall assume the employment obligations of the Vendor for all employees of the Vendor. Without limiting the generality of the foregoing:

- (a) the Purchaser shall recognize the length of service for all employees of the Vendor for all matters for which length of service is relevant; provided, however, if there is a conflict between this paragraph (a) and a collective agreement to which the Purchaser is a party, the provisions of the collective agreement shall prevail to the extent of the conflict for any employee of the Vendor that becomes part of the applicable bargaining unit; and
- (b) on and after the Effective Date, the Purchaser shall assume all obligations and liabilities of the Vendor under the following agreements:
 - (i) the Collective Agreement and its successor, renewal or replacement agreement;
 - (ii) the employment contract between the Vendor and the Interim General Manager of the Vendor in place as of the Effective Date, subject to Article 5.9(a) of this Agreement; and
 - (iii) any other employment agreements or contracts between the Vendor and non-unionized employees of the Vendor in place as of the Effective Date, subject to Article 5.9(a) of this Agreement.

2. Integration of the employees of the Vendor shall be guided by the following general principles and arrangements:

- (a) subject to normal attrition or the decision by an employee not to continue in the employment of the Purchaser, it is intended that all management and non-management employees of the Vendor shall be integrated into the business and operations of the Purchaser and offered positions with the Purchaser that are consistent with their skills, expertise and qualifications;
- (b) the Purchaser shall make reasonable efforts to ensure that there is no loss of employment as a direct result of the merger. If the position of an employee of the Vendor is eliminated as a direct result of the merger, the Purchaser will make reasonable efforts to transition such employee to an alternate position with the Purchaser or a subsidiary of the Purchaser, and will follow the Collective Agreement provisions. Where the Purchaser's reasonable efforts have not resulted in finding an alternate position, employees of the Vendor whose employment is terminated will be provided a severance package and outplacement counselling in accordance with paragraphs (g) and (h) below;

- (c) it is intended that no employee of the Vendor shall be disadvantaged as a result of the merger; that is, all employees of the Vendor who are affected by the merger and continue employment with the Purchaser shall have opportunities for promotion, training and personal development. It is expected that employees of the Vendor will take the necessary skills and training development to meet the current standards of an employee of the Purchaser (with such skills and training development to be paid for by the Purchaser in accordance with its policies in respect of such matters);
- (d) unionized employees shall receive the salary, vacation, retirement and benefits, and job grades as prescribed under the Collective Agreement or its successor, renewal or replacement agreement, as applicable;
- (e) as of the Effective Date, non-unionized employees of the Vendor will participate in the salary and wage rates normally available to employees of the Purchaser in comparable positions. If the monthly salary or hourly wage of an employee of the Vendor:
 - (i) is less than what such employee would be paid by the Purchaser for a comparable position at a similar skill level, expertise, qualifications and performance standard, such employee shall be paid according to the salary and wage scales and standards of the Purchaser;
 - (ii) is more than what such employee would be paid by the Purchaser for a comparable position at a similar skill level, expertise, qualifications and performance standard, such employee's salary or hourly wage shall be "red circled" and such employee shall be paid at the same monthly salary or hourly wage as was paid by the Vendor prior to the Effective Date (the "**Red Circled Salary**") until such time as the monthly salary or hourly wage paid by the Purchaser for the employee's position exceeds the Red Circled Salary;
- (f) employees of the Vendor will participate in the vacation, retirement and benefits programs normally available to employees of the Purchaser;
- (g) although it is not anticipated that any employee of the Vendor will cease to be employed by the Purchaser because of a reason solely related to the merger, if the Purchaser elects to terminate the employment of an employee of the Vendor other than for cause on or after the Effective Date:
 - (i) if such employee is a non-unionized employee, the Purchaser shall provide such employee notice or pay in lieu of notice in accordance with the employee's employment agreement or, in the absence of an employment agreement or if such agreement does not contain termination or severance provisions, in accordance with the *Employment Standards Act* (British Columbia) and the common law relating to length of service and payment in lieu of notice of termination of employment; and
 - (ii) if such employee is a unionized employee, the Purchaser shall provide such employee notice or pay in lieu of notice in accordance with the Collective Agreement or its successor, renewal or replacement agreement, as applicable; and

- (h) the Purchaser shall make available outplacement counselling to all employees of the Vendor who do not continue with the Purchaser as a result of the merger.

SCHEDULE "F"

MEMORANDUM OF UNDERSTANDING

See attached.

MEMORANDUM OF UNDERSTANDING

THIS MEMORANDUM OF UNDERSTANDING is dated as of the 16th day of September, 2021,

BETWEEN:

CCEC CREDIT UNION,

a credit union under the laws of the Province of British Columbia having
its head office at 2248 Commercial Dr, Vancouver, BC V5N 4B5

("CCEC")

AND:

COMMUNITY SAVINGS CREDIT UNION,

a credit union under the laws of the Province of British Columbia having
its head office at 13450 102 Ave, Surrey, BC V3T 5X3

("CSCU")

1. INTRODUCTION

1.1 CCEC and CSCU have held preliminary discussions concerning a proposed merger of the two credit unions. As a result of those discussions, there is consensus between the two credit unions that further discussions and negotiations between them leading towards a merger should proceed. This Memorandum of Understanding sets out the issues that have been discussed and agreed upon by the Boards of Directors of the credit unions and identifies other issues that have yet to be resolved. Each of the credit unions acknowledges that this Memorandum of Understanding is non-binding (except for Clauses 15, 16 and 17 hereof, which shall be binding agreements between CCEC and CSCU), and any agreement to merge the two credit unions is still subject to:

- (a) Completion and acceptance of the due diligence reviews and business case analysis by the respective Boards of Directors of the merging credit unions;
- (b) Receiving the consent of the BC Financial Services Authority (the "BCFSA");
- (c) Such approvals by the membership and Boards of Directors of the merging credit unions as are required by the selected merger process;
- (d) Entering into an asset transfer agreement or amalgamation agreement in form and content acceptable to both parties and the BCFSA; and

1.2 The credit unions each intend to undertake their best efforts to satisfy the above pre-conditions within the timelines set out in Clause 18 (Timetable) of this Memorandum of Understanding.

2. MERGER STEERING COMMITTEE

2.1 The Board of Directors of CCEC and CSCU shall each appoint up to three nominees to a steering committee, which will be responsible to work with management of the credit unions to oversee further discussions and negotiations in relation to the merger (the "**Steering Committee**").

2.2 The Steering Committee shall be governed by such terms of reference as may be established from time to time by mutual agreement of the credit unions.

2.3 The Steering Committee shall not have the authority to bind the credit unions or make decisions on behalf of the credit unions, but shall primarily act as a liaison between the respective Boards of Directors and management, in order to ensure that both Boards are well-informed about the status of the merger and to facilitate prompt feedback and direction to management about merger-related issues.

2.4 CSCU's CEO and CCEC's Interim General Manager shall sit on the Steering Committee.

2.5 The Steering Committee will have a minimum quorum of one Director from each credit union in addition to the CEO of CSCU and the Interim General Manager of CCEC, or a delegate as appointed.

3. FORM OF MERGER

3.1 Subject to tax or legal advice recommending an alternate method of merging the two credit unions, the merger would be accomplished by the two credit unions entering into an asset transfer agreement pursuant to Section 16(2) of the Credit Union Incorporation Act (B.C.) (the "**CUIA**"), whereby CSCU would acquire all of the assets and assume all of the liabilities of CCEC (the "**Asset Transfer Agreement**"). The Asset Transfer Agreement would contain those matters referred to in this Memorandum of Understanding and such other matters as are normally addressed in an asset transfer agreement pursuant to Section 16(2) of the CUIA.

4. EFFECTIVE DATE

4.1 The effective date is the date upon which the merger of the two credit unions comes into effect. The effective date for the purposes of this Memorandum of Understanding and the timetable later described is March 31st, 2022, or such other date as the credit unions may agree in writing (the "**Effective Date**").

5. NAME AND COMMON BOND

5.1 The name of the resulting new credit union (the "**New CU**") on the Effective Date shall be "Community Savings Credit Union" and the New CU will operate under the trade name of "Community Savings Credit Union".

5.2 Due to the strong member connection to the CCEC brand, CSCU intends to retain the trading name of CCEC Credit Union as a division of CSCU for the 2248 Commercial Drive branch.

5.3 The former branch of CCEC, as relocated from time to time, will initially operate or continue to operate, as the case may be, after the Effective Date under the name "CCEC Credit Union"; provided,

however, that the New CU may cease using such trade name on further market analysis suggesting it would be beneficial to the New CU and/or members of the New CU to do so.

5.4 The common bond of the New CU on the Effective Date shall be the present common bond of CSCU.

6. BOARD OF DIRECTORS

6.1 The CSCU Board of Directors will form the Board of the New CU following the Effective Date.

6.2 Two CCEC directors will be appointed to the CSCU Board of Directors, one with a three-year term and one with a six-year term.

6.3 Any former CCEC or CSCU director shall be eligible for election for any vacancy for which an election is to be held for the New CU Board of Directors, subject to and in accordance with the Rules of the New CU.

7. SENIOR MANAGEMENT

7.1 The Chief Executive Officer of the New CU on the Effective Date shall be the person who is the Chief Executive Officer of CSCU immediately prior to the Effective Date.

7.2 The Interim General Manager of CCEC will join CSCU as a permanent employee initially supporting the CEO of CSCU in merger execution and later as part of the CSCU leadership team.

7.3 CSCU acknowledges the employment contract between CCEC and the Interim General Manager, Jo Ha. Assuming the merger completes as contemplated herein, CSCU will recognize, and be responsible to pay employer obligations under, the employment contract with the Interim General Manager from the Effective Date.

8. EMPLOYMENT MATTERS

8.1 Assuming the merger is accomplished by the two credit unions entering into an Asset Transfer Agreement pursuant to Section 16(2) of the CUIA, with CSCU purchasing the assets and assuming the liabilities of CCEC, the provisions described in this Clause 8 shall apply with respect to CCEC employees. In the case of an asset transfer under Section 16(2) of the CUIA, the transaction would not, on its own, have any impact on the employment of CSCU employees; and therefore, the provisions noted below only reference CCEC employees.

8.2 On the Effective Date, CSCU shall assume the employment obligations of CCEC for all employees of CCEC (subject to an unauthorized change to any employment agreements with management as contemplated in Clause 14.2 hereof). Without limiting the generality of the foregoing, CSCU shall recognize the length of service for all employees of CCEC for all matters within CSCU for which length of service is relevant.

8.3 Integration of CCEC's employees into CSCU shall be guided by the following general principles:

- (a) Subject to normal attrition or the decision by an employee not to continue in the employment of CSCU, it is intended that most, if not all, of CCEC's management and

non-management employees shall be integrated into CSCU and offered positions with CSCU that are consistent with their skills, expertise and qualifications. CSCU will make reasonable efforts to ensure that there is minimal loss of employment as a direct result of the merger. In the event that a position is eliminated as a direct result of the merger, reasonable efforts will be extended to transition the affected employee to an alternate job with CSCU or a subsidiary of CSCU, and will follow the Collective Agreement provisions. Where reasonable efforts have not resulted in finding an alternate position, employees whose employment is terminated will be provided a severance package and outplacement counselling in accordance with this Clause;

- (b) On and after the Effective Date, CSCU will assume all obligations and liabilities of CCEC under the following agreements:
 - (i) any collective agreement between CCEC and a trade union (the "**Collective Agreement**"); and
 - (ii) any employment agreements or contracts between CCEC and non-unionized employees of the Credit Union in place as of the Effective Date (subject to Clause 14.2 hereof);
- (c) It is intended that no CCEC employee shall be disadvantaged as a result of the merger; that is, all employees of CCEC who are affected by the merger and continue with CSCU shall have opportunities for promotion, training and personal development and it is expected that CCEC employees will take the necessary skill and training development to meet the current standards of a CSCU employee (with such training to be paid for by CSCU in accordance with its current policies in respect of such matters);
- (d) Unionized employees shall receive the salary, vacation, retirement programs, benefits and job grades as prescribed under the Collective Agreement or its successor, renewal or replacement agreement;
- (e) On the Effective Date, non-unionized employees of CCEC will participate in the salary, vacation, retirement and benefit programs normally available to CSCU employees in similar positions;
- (f) In the event that a non-unionized employee's monthly salary or hourly wage with CCEC is less than what the employee would earn at CSCU in a comparable position at a similar skill level, expertise, qualifications and performance standard, the CCEC employee's salary/wage shall be harmonized to the CSCU salary/wage scale. In the event that a non-unionized employee is earning more than the comparable position at a similar skill level, expertise, qualifications and performance standard, the CCEC employee's salary will be "red circled" and maintained at the CCEC rate until such time as the salary paid by CSCU for that position exceeds the CCEC rate; and
- (g) Although it is not currently anticipated that any CCEC employee will cease to be employed by the New CU because of a reason solely related to the merger, if CSCU elects to terminate the employment of a CCEC employee other than for cause on or after the Effective Date: (i) if a non-unionized employee, CSCU shall provide such employee notice or pay in lieu of notice in accordance with the employee's

employment agreement or, in the absence of an employment agreement or if such agreement does not contain termination or severance provisions, in accordance with the common law relating to length of service and payment in lieu of notice of termination of employment; (ii) if a unionized employee, CSCU shall provide such employee notice or pay in lieu of notice in accordance with the Collective Agreement and (iii) CSCU shall make available outplacement counselling to any CCEC employee who does not continue with CSCU as a result of the merger.

9. HEAD OFFICE

9.1 The location of the head office of the New CU after the merger shall be the current head office of CSCU in Surrey.

10. BRANCHES

10.1 The existing CCEC branch at 2248 Commercial Drive, Vancouver, BC will be integrated into the CSCU branch network and will be an integral part of the business development strategy for the new credit union. It is presently not intended that there shall be any reduction of hours for the existing 2248 Commercial Drive, Vancouver, BC branch; provided, however, that the New CU may vary the current hours of business after the Effective Date to better suit the members of the CCEC branch and the communities that it serves.

11. PRODUCTS/SERVICES

11.1 As part of the business integration process, the credit unions will compare products and services currently offered to the respective memberships of the merging credit unions and will develop a list of products and services to be offered to all members of the New CU. If as a result of the merger, there will be changes to fees, products or services that were provided by the merging credit unions to their members prior to the Effective Date, the merging credit unions or the New CU, as the case may be, shall provide any affected members with reasonable notice before such changes take effect.

12. CSCU acknowledges that CCEC provides basic banking services and modest credit to the underserved membership, and the intention of the New Credit Union is to continue to support this group of members.

COMMUNITY INVESTMENT

12.1 CCEC has a history of providing the community with financial support in the form of donations, sponsorships and bursaries i.e.) YES Camp, Folk Festival. CSCU commits to continuing to provide a minimum of \$1,000 in annual funding for 5 years following merger. This benefit of these initiatives will be assessed for impact at the end of this period and may continue where it is determined that value exists.

13. LEGAL, ACCOUNTING AND CONSULTING ADVICE

13.1 It is recognized that both credit unions will incur costs associated with the merger process. The following principles are acknowledged:

- (a) Unless otherwise agreed between the credit unions, each credit union will be responsible for its own costs incurred prior to the approval of this Memorandum of Understanding;
- (b) Each credit union will conduct its own due diligence review of the other credit union at its own expense, unless the credit unions otherwise agree to share such costs. It is up to each credit union as to whether it has such due diligence review carried out by in-house staff or whether it contracts to an independent third-party consultant to carry out a due diligence review;
- (c) The credit unions will share common legal expenses relative to the preparation of documentation and the submission of materials to regulatory authorities and members. One-half of such expenses will be borne by CCEC and one-half of such expenses will be borne by CSCU, unless the credit unions agree to another allocation for a particular type or category of legal expense. It is understood that if a circumstance should arise where either CCEC or CSCU determines that it requires independent legal advice, then such credit union will forthwith obtain such independent advice at its own expense;
- (d) The two credit unions will agree upon and share other common expenses relative to accounting advice and consulting services. One-half of such expenses will be borne by CCEC and one-half of such expenses will be borne by CSCU, unless the credit unions agree to another allocation for a particular type or category of expense. Where possible the credit unions will endeavour to use the same accounting firm and consultant(s) to carry out work common to both and those costs will be shared as above; provided, however, it is understood that should a circumstance arise where either CCEC or CSCU determines that it requires independent accounting or consulting advice, then such credit union will forthwith obtain such independent advice at its own expense; and
- (e) The credit unions will utilize the most tax advantageous allocation of merger expenses between CCEC and CSCU. Such allocation will be determined based upon legal and accounting advice.
- (f) CSCU will provide CCEC in-kind support by way of IT support and other resourcing i.e.) retail lender(s), as needed during the merger period.

- (g) The credit unions have engaged with Stabilization Central Credit Union ("SCCU") to act as an independent third-party advisory role assisting with the project management and business case development of the merger. Costs incurred by SCCU will not be attributed back to either CSCU or CCEC unless as agreed by the Steering Committee. SCCU may bring in additional contractors to support as needed. SCCU will get approval from the Merger Steering Committee before engaging with additional contractors. SCCU may be engaged to act as a mediator in the event of any disputes arise or perceived breach of the MOU by either party.

14. STANDSTILL

14.1 CCEC represents to CSCU that from the date of this Memorandum of Understanding until the Effective Date (or until such time as one of the credit unions hereto has advised the other in writing that the merger will not proceed due to the inability of that party to satisfy one or more of the pre-conditions set forth in Clause 1.1) (the "Standstill Period"), it shall not, and shall not authorize or permit any of its directors, officers, employees, agents or representatives to, directly or indirectly, initiate, participate in or conclude any negotiations regarding the sale of all or substantially all of its assets to, or the amalgamation with, any corporation, person or other entity (other than with the other credit union).

14.2 During the Standstill Period, CCEC shall fully consult with CSCU and obtain the approval of CSCU prior to entering into any material contracts, agreements or obligations that are out of the ordinary course of business and would be binding upon the New CU following the Effective Date (including, but not limited to, any employment agreements with management of CCEC). Further, CCEC agrees that it will not initiate a distribution of current earnings or capital in excess of \$50,000 (cumulative) during the Standstill Period, except:

- (a) for expenses in relation to employee variable pay, patronage allocations, dividends, or hedging or securitization arrangements, if incurred, distributed, or paid in accordance with established policies and procedures for the credit union in a manner consistent with prior years; or
- (b) with the prior written approval of CSCU.

14.3 Approval from CSCU for the purposes of Clause 14.2 shall be indicated by the agreement in writing (by e-mail or otherwise) of the Chief Executive Officer of CSCU and any such approval shall not be unreasonably withheld.

14.4 During the Standstill Period, each credit union shall provide a copy of its monthly budget and its Monthly Financial and Statistical Return (MFSR) to the other credit union.

14.5 The credit unions each undertake with the other to utilise their best efforts to ensure the merger process set forth herein proceeds in an expeditious manner and results in a merger between the two credit unions.

15. DISPUTE RESOLUTION

15.1 In the event of a dispute by either CSCU or CCEC i.e.) perceived MOU breach, Stabilization Central will act as an independent third-party to mediate with the intent to come to a resolution that is agreeable to both parties.

16. DUE DILIGENCE

16.1 It is a pre-condition of each credit union proceeding with the merger that the respective due diligence reviews of the other are presented and approved by the respective Board of Directors of each credit union, and management of each credit union is responsible for ensuring that full, complete and ongoing disclosure is made to the other of all aspects of the operations of the credit union and its subsidiaries. It is intended that the credit unions will communicate with each other in a fair, open and transparent manner, so that each of them is fully informed about the impacts or potential impacts of the merger.

16.2 If, on or before the Effective Date, any new or conflicting material information about a credit union or its business from that previously disclosed to the other credit union comes to the attention of the disclosing credit union, the disclosing credit union shall provide such new or conflicting material information to the other credit union as soon as reasonably possible thereafter.

17. COMMUNICATION

17.1 CCEC and CSCU covenant each with the other that the discussions between the two credit unions, and all materials and information exchanged between them during the due diligence process and in negotiations will be kept confidential. The two credit unions shall consult with one another prior to issuing any press releases or other public announcements in respect of the merger. The credit unions will discuss a communications plan covering the period of time from the date of the signing of this Memorandum of Understanding through to the Effective Date. The confidentiality covenant in this clause is binding on the credit unions and survives the termination of this Memorandum of Understanding.

17.2 Each credit union may hold a member information meeting or meetings (in-person or virtual) for the purpose of consulting with and obtaining the views of its membership concerning the proposed merger. The timing of such information meeting(s) will be worked into the detailed work plan that is developed as the merger process proceeds, and to ensure that the release of information is consistent between the two credit unions as appropriate.

17.3 The credit unions acknowledge and agree that communication with CCEC employees and the inclusion of the CCEC employees in the business integration process is an important component of having a successful and positive integration between the merging credit unions. As such, CCEC agrees to provide opportunities from the date of this Memorandum of Understanding until the Effective Date for CSCU management to meet with and engage CCEC employees in a manner and at times mutually agreed between the merging credit unions.

18. TIMETABLE

18.1 The credit unions agree that a priority is to complete the first phase of a business case in an expeditious manner. If the first phase of the business case appears satisfactory to both credit unions, then preparation of a final business case and request for regulatory approvals would follow thereafter. The timetable will be laid out in the Workplan that will be presented to the Merger Steering Committee for approval and is subject to change with mutual agreement.

19. BANKING SYSTEM

19.1 It is acknowledged that CCEC will be converted to the CSCU banking system software. The integration of the banking systems shall be implemented in accordance with the business integration plan after completion of the merger.

20. SHARE EXCHANGE

20.1 Assuming the merger is accomplished by the two credit unions entering into an Asset Transfer Agreement pursuant to Section 16(2) of the CUIA, with CSCU purchasing the assets and assuming the liabilities of CCEC, the shares of CCEC will be exchanged for those of CSCU on the Effective Date as follows:


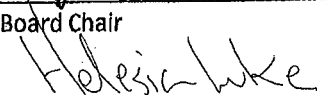
- (a) CCEC members will exchange their Class "A" Membership Equity Shares in CCEC on a share for share basis for an equivalent number of Class "A" Membership Equity Shares in CSCU up to a maximum of 1,000 fully paid Class "A" Membership Equity Shares in CSCU per member;
- (b) For those CCEC members who hold more than 1,000 Class "A" Membership Equity Shares in CCEC, or for any CCEC member who is already a CSCU member and who will hold more than 1,000 Class "A" Membership Equity Shares in CSCU after the share exchange described above in subclause (a), as part of the due diligence process, CCEC and CSCU will investigate options for exchanging/redeeming such excess shares in a manner that will be in the best interests of the members and CSCU;

21. COUNTERPARTS

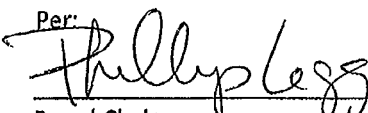
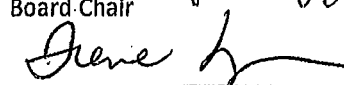
21.1 This Memorandum of Understanding may be executed in counterpart signatures, by original, facsimile copy or other electronic means, each of which shall be deemed an original, but all of which together shall constitute one and the same document.

THIS MEMORANDUM OF UNDERSTANDING has been executed on behalf of CCEC and CSCU as of the day and year first written above.

CCEC CREDIT UNION

Per: 
Board Chair

Director

COMMUNITY SAVINGS CREDIT UNION

Per: 
Board Chair

Director